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Preliminary Findings:
Report to the Inspector General into Mobile
Telecommunications Licenses in Iraq

International Armament and Technology Trade
Directorate

Office of Deputy Undersecretary of Defense
(International Technology Security)

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INTRODUCTION BY THE DIRECTOR OF INTERNATIONAL ARMAMENT AND TECHNOLOGY TRADE (IATT):

This report arose out of a Memorandum of Understanding (MOU) between the Undersecretary of Defense for Acquisitions, Technology and Logistics (AT&L) and the Inspector General of the Department of Defense (OIG). That MOU, which was the product of nearly two years of discussion, created an office in the OIG which brought together the strong analytical scientific and technological capabilities of AT&L as vested in the office of the Deputy Undersecretary for International Technology Security (DUSD-ITS), with the investigative capabilities and mandated authority of the OIG in the area of technology transfer and munitions controls. One of the aims of that joint venture was to ascertain which U.S. and internationally controlled weaponry and technology had evaded those controls and become part of the Iraqi armament inventory, and then to analyze and catalog it. The resulting office was called the Directorate of International Armament and Technology Trade (IATT) and it began to gather information on the ground in Iraq as soon as the official end to hostilities permitted. The MOU continued in force until the completion of the Iraq investigations it was intended to foster at the end of March, 2004 (see Appendix A).

The workability and effectiveness of the idea underlying the MOU was enhanced by the fact that the DUSD-ITS was a former Senate-confirmed Inspector General in this area of expertise (and had held senior line positions in the area of export control and enforcement at the State and Commerce Department) and his two deputies had several decades of senior experience in both substantive and investigative terms, at State, Commerce, the larger defense community, and the Congress. This fact is significant because it created a team which was immediately able to put what was found in theater within the larger framework of international armament and technology trade and the financing mechanisms which underlie it. That ability led to this report.

The pattern of weapons sales and inventory in Iraq brought to the surface, among many other things, the name of Nadhmi Auchi, an Iraqi billionaire who has played a role in the Iraqi-European arms trade for over two decades, and who, behind the facade of legitimate business, served as Saddam Hussein's principal international financial manipulator and bag man. He lives in London and has become a British subject. Either through his Luxembourg-based holding company, General Mediterranean Holdings SA, or possibly through a controlled subsidiary, Cipaf International SA of Panama, Auchi is the largest shareholder in the French banking conglomerate BNP Paribas.

His role in the international arms trade, and as a major commercial force in BNP Paribas, led to BNP Paribas becoming the sole bank administering the UN Oil-for-Food program. (The Saddam regime was given sole discretion over the selection of the bank to administer the Oil-for-Food program, and reportedly the only bank it even considered for the program was Auchi's BNP Paribas). Clearly, his bank was an enormous beneficiary through fees and other services from the program, and there is substantial information from credible sources that Auchi and the Bank

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acted as middle parties on the “oil against vouchers” scam <http://targetmaster.com/Training/training.html> that siphoned off a large portion of the \$10 billion estimated to be illegally taken under the Oil-for-Food Program, which is currently under investigation by Congress and by a special panel created by Kofi Annan, the U.N. Secretary-General. Auchi’s financial empire includes the cellular telephone systems of Tunisia, Algeria, Egypt, Jordan, and most recently Iraq. His ability to operate supra-nationally has generally hindered attempts at prosecution, but he was recently extradited to France for his role in the Elf-Aquitaine scandal, was found guilty and given a 15-year (suspended) sentence.

His persistent role in Iraq weapons purchases set off instant alarms in IATT when it was discovered that he had managed to manipulate the U.S.- and British-sponsored cellular telephone tender under the auspices of the Coalition Provisional Authority (CPA) by having nominal or beneficial ownership of a major part of the equity in two of the winning licenses, and through a complex arrangement, a controlling interest in all three licenses. The investigation which underlay this report was triggered by universal complaints that the tender process had been rigged and that the process lacked transparency.

The effort to subvert and suborn the cellular telephone tender process in Iraq reflected world-class skills in corporate and financial manipulation: Its audacity, its meticulous attention to carefully tailored political needs, its placement seemingly beyond any governing legal frameworks, and its scheduled disappearance in the train of the CPA on July 1, 2004 into three unsupervised Iraqi institutional entities all reflect the hand of a master manipulator. Each of the licenses has a defensible rationale for its award when looked at in isolation. When the three licenses are looked at *in toto*, however, the organizing ownership of the whole becomes evident.

With regard to corruption, a similar attention to skating beyond legal boundaries is evident: The money involved was not appropriated USG funds and most of it was in cash. Although the alleged corruption of an Iraqi minister or Governing Council member may or may not be a legal problem, as there is no legal framework for the interim government; it is nonetheless noteworthy. Similarly, the alleged corruption of two British employees evades oversight because of the CPA Status of Forces Agreement. It would only be alleged wrongdoing by American CPA employees that would fall within USG oversight, but if one of those was positioned to control any investigation into the matter, it would then ensure that the scheme was nearly impervious to serious investigation. Nonetheless, the CPA tender process was publicly advertised as following the Federal Acquisition Regulations (FARS) and this report is prompted by the spirit of the U.S. Foreign Corrupt Practices Act, itself prompted by just the sort of activities present in the Iraqi cellular license tender.

The Directorate of International Armament and Technology Trade alerted the Inspector General of DoD personally to alleged fixing and corruption in the CPA cellular license tender on October 24, 2003 and sent on supporting material that had been referred to his office by a former Deputy U.S. Trade Representative. (See Appendix E.) At the IG’s suggestion, the Director of IATT spoke to the two IG subordinates who were directing the resulting IG inquiry. He also spoke at

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length in Baghdad with the acting CPA IG and the three investigative officers looking into the case, and reported to the IG by telephone on the problem. Overall, the OIG judged that the matter was outside its purview as it used no appropriated funds and appeared mainly focused on non-US nationals. The resulting Defense Criminal Investigation Service (DCIS) report (dated December 16, 2003) had, through IG office error, not been based on the original supporting material, but depended instead on Daniel Sudnick's explanation of the process. The report was, as a result, seriously incomplete and from an investigative standpoint, worthless. That report was not brought to IATT's attention until early March 2004, when its own parallel investigation was nearly completed. The conjunction of an inquiry from the British Ambassador to the United States to Deputy Secretary Paul Wolfowitz about the two British subjects allegedly implicated in the fix, and a simultaneous request for information on a related subject from the Deputy Secretary's office brought renewed attention to the issue. The newly appointed CPA Inspector General, Stuart Bowen, was therefore alerted to the problem. That the problem did not receive the attention it deserved in the regular IG channels is hardly surprising given the extraordinary complexity of the case and the overburdened IG staff in Iraq. Only IATT's intense focus on Iraq and illegal technology transfers there allowed the real story, in outline, to emerge in this report. Further investigation is therefore in order.

The winners in the Iraqi cellular license tender were Saddam's most senior financiers, their Egyptian, Kuwaiti, and Iraqi supporters, the bank BNP Paribas, European cellular corporations—particularly Alcatel and the European GSM technology it depends on—and Chinese telecom interests such as Huawei, which had been active in breaking the Iraqi embargo. Motorola was the sole American winner thanks to its provision of handsets. The losers were all the American bidders, the more advanced American technology, CDMA, and the myriad of honest Iraqis who put together solid consortia that were not part of the fix. The greatest losers were the new Iraq and the Iraqi people, who had an opportunity to have in place a state-of-the-art cellular phone network and instead were given a system (thus far non-functional) that is run by and for corrupt interests.

A meeting with the U.S. Customs team in Iraq assured the ITS team that Customs is actively collecting information to use against some 20 American companies who violated UN sanctions/U.S. laws that were in effect before the war. The initial IATT investigation began with foreign corporations, particularly French corporations, as they were the largest NATO supplier of arms and arms-related technology to the former regime. That effort put the spotlight on major non-American figures who played a very significant role in the armament trade, such as Auchi.

Significant and credible evidence was developed that a conspiracy was organized by Nadhmi Auchi to offer bribes to "fix" the awarding of cellular licensing contracts covering three geographic areas of Iraq. In addition, circumstantial and credible evidence was offered that the conspiracy existed to ensure certain firms were awarded the contracts to assure that Auchi's control was total and that the European GSM standard would be universally adopted and remain dominant in Iraq. To assure the second objective required continued oversight of Iraqi

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telecommunication to prevent the addition of any CDMA competition until the cellular build out was complete.

IATT's concern with Auchi (whose life is described in more detail in Appendices G and H) is that he used influence peddling and access to the Iraqi regime in conjunction with his European, North African, and Middle Eastern financial and business empire to build a worldwide network. Additionally, significant and credible evidence has been developed that Nadhmi Auchi has engaged in unlawful activities working closely with Iraqi Intelligence operatives to:

- Bribe foreign governments and individuals prior to Operation Iraqi Freedom to turn opinion against the American-led mission to remove Saddam Hussein.
- Arrange for significant theft from the UN Oil-for-Food Program to smuggle weapons and dual-use technology into Iraq in violation of UN and other International Export Control Regimes.
- Organize an elaborate scheme to take over and control the post-war cellular phone system in Iraq. This conspiracy used assets Auchi already had in Iraq in conjunction with British interests to both design the architecture of the Iraqi telecom system and ensure he owned or controlled its component parts.

While Auchi's name surfaced as a personal fixer for Saddam, and as a central figure in the UN Oil-for-Food scandal, the investigation into who shipped illegal weapons and technology to Iraq took a dramatic turn when it discovered him in a new role as the chosen arbiter of the new Iraqi cellular phone system. The implications of his having fixed the tender for the entire Iraqi cellular telephone system go beyond mere corruption and technological empire building. It put in control of Iraqi telecommunications a man with an anti-American/anti coalition mind-set and a history of illegal international arms traffic. That control could allow him to compromise the entire Iraqi telecommunications system and undermine the Iraqi security system on an ongoing basis.

With American and Coalition soldiers at increasing risk in Iraq, this investigation was therefore put on an accelerated footing. The July 1, 2004 date for the transfer of Iraqi sovereignty provided an appropriate element of urgency to the effort. As of that date, any effort to determine responsibility for the cellular phone licensing process, much less questions of legality and criminal culpability, would be set up to fail. Given the extra-legal or supra-legal dimension of activities on the fringe of CPA and Governing Council actions in Iraq, it is important to have the picture of the cellular phone conspiracy available to the appropriate authorities prior to July 1.

Those who might object that this report depends heavily on information supplied by two failed bidders in the Iraqi tender should remember that in complex financial investigations, it is sometimes only through the cooperation of closely involved parties that a resolution is attainable. (The Internal Revenue Service, for example, often depends on estranged spouses to break complex tax fraud cases.) In this instance, it is fair to say that only those fully involved in the bidding process have the knowledge and interest in fully investigating the fix. That the process is

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believed to have been fixed in Baghdad is beyond dispute. A representative of Turkcell said that after the winners were announced everybody involved in the process believed Daniel Sudnick was lying in every pronouncement he made on the results of the tender process. Darrell Trent, the original Senior Director of Communications, and Sudnick’s putative boss until the Ministry of Communications became independent, commented that “forces much stronger than Sudnick” had taken over by the time the original announcement of the tender winners was pulled. The pressure exerted by the Auchu combine was overwhelming.

The failed bidders, moreover, had early on in the process registered their patriotic interest in assuring the finest American technology would be seriously considered for adoption in Iraq. Both Liberty Mobile, a Delaware corporation whose CDMA-based consortium included Lucent and Qualcomm, and Turkcell, a GSM-based consortium with world-class regional elements and Parsons Communications as its implementer, brought their superior capabilities to the Defense Department via the office of the Deputy Secretary and the defense communication team that had been assembled to support the Iraq reconstruction effort, and both companies were strongly encouraged to engage themselves. That support, unfortunately, was of little use against the Auchu combine. Both companies—even after their manipulated elimination—used their best efforts to persevere in the market in spite of the fix: Liberty Mobile recast itself with additional partners to build an interactive GSM/CDMA spine for the First Responder Network (FRN), and Turkcell went all-out to buy out key parts of the contract that was denied them. This inquiry found no indication that either company had displayed anything other than the very best American international business practices. Rather, they together brought a moral imperative and moral witness to their analysis of the cellular tender process.

Regarding payments made to the participants, everything is difficult to prove, and the evidence tends to be either circumstantial or hearsay. The situation is made murkier by the fact that there is nothing illegal about Iraqis in high position accepting multi-million dollar bribes. The “Arab street” is, however, a reasonable sounding board for accepted truth. Two Iraqi ministers identified Daniel Sudnick as one of three people paid by Nadhmi Auchu’s paymaster in the cellular phone tender. Another minister who knows Sudnick well stated in Brussels that “Sudnick was fired for corruption.” Bribes amounting to between \$18 and \$21 million were allegedly allocated among six people. As many payments (until recently) continued to be made in cash in Baghdad, money disappears very easily. The IG report helpfully suggested that the \$5 million alleged to go two Britons may have been the \$5 million payable to the Ministry of Communications for one of the licenses. That might have been true, but there are no records to indicate where any such payment went. It was reported by CPA Baghdad in late April that financial controls in the MOC were “few to non-existent.” In that context, all the records of the cellular tender appear to have disappeared.

While some of the evidence in this report is fragmentary, the dots are connected in convincing and important ways. Below the deadly serious efforts to restore security and legitimacy to Iraq lies a muted gold rush mentality—the billions in the supplemental appropriation do indeed “begin to add up to real money.” It is a testament to the integrity of the thousands of dedicated

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Americans, both military and civilian, serving in Iraq, that their vision has not been impaired by the prospect of instant riches, and that they have done their jobs honestly and expeditiously in spite of ever-present temptation. For their sake, in addition to putting a spotlight on wrongdoing, this story of how a nascent system can be compromised by well-organized and experienced conspirators must be fully investigated. If criminal activity is identified the perpetrators should be prosecuted to the fullest extent of the law.

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EXECUTIVE SUMMARY

This report reviews the process that was used, and the individuals and companies involved, in the awarding of mobile cell phone contracts late last year in Iraq.

Corruption was a hallmark of the Saddam Hussein regime in Iraq. The award of the telecommunications contracts should have been an early example of how things would be different in the new Iraq. However, there is ample evidence that the old ways have transferred to the new Iraq with the award of these cellular contracts; and that Americans in the CPA were either duped in the process and should have exercised far greater due diligence or may have been participants in the matter.

What should have been a fair and transparent contracting process was in fact hidden behind shady dealings, corrupt processes, and businessmen who made their money from Saddam's exploitation of the Iraqi people. The result appears to be contracts that guarantee the new Iraq will be shackled to old communications technology.

Key points undermining the CPA's declaration that this was a fair and transparent process:

- This contracting process produced three interrelated parties, contrary to the stated objectives of the CPA.
- One investor in all three regions, billionaire Nadhmi Auchi, is widely regarded as a corrupt supporter of Saddam Hussein's regime who got his money from doing deals, especially illegal arms transfers, for Saddam. This is in clear violation of Section 6.1.4. of the cellular license agreements.¹ Auchi is the central figure in the UN Oil-for-Food program where both Congress and a special UN investigation are looking into massive corruption and a missing \$10 billion.
- The bid specifications were in large part created by one of the bidders, who eventually won a contract.
- Rules requiring equal treatment between GSM and CDMA were not followed, and competitors' allegations that CDMA technology would not suffice were accepted at face value.

¹ Section 6.1.4. of the *Iraq Mobile Cellular Public Telecommunications License Authorization and Agreement* reads: "The Licensees shall endeavour to ensure that no person who had substantial business activities with, who supported, or who associated or collaborated with the previous regime prior to April 2003 shall control or own, directly or indirectly, any ownership interest in the Licensee. Additionally, Licensees shall endeavour to ensure that no person who had substantial business activities with, who supported, or who associated or collaborated with the previous regime prior to April 2003 acquires ownership interest in the Licensee during the term of the License."

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- The Minister of Communications, Haider al-Abadi, met with the eventual winners during the evaluation period, in violation of rules or guidelines for impartial consideration.
- There has been no audit of funds to the Ministry of Telecommunications, and this is the first instance where funds are being taken in, not dispensed.
- As of this date, the electronic and written records of the cellular evaluation and selections process are missing in Baghdad.

In a presentation to the NSC on February 24, 2004, the CPA Senior Advisor on Communications reported only that cell phones were “sold out” in Baghdad, the networks were built with private capital at no cost to U.S. taxpayers, and that cell operators were using U.S.-manufactured equipment. Yet, as of April 2004, the “facts on the ground” regarding the licensees appear to be the following:

- “Roaming” among the cell phone operators within Iraq was considered an essential provision of the contracts. There is currently no roaming service in Iraq, virtually partitioning the country.
- While some U.S. companies like Motorola are in fact selling equipment, particularly handsets, the largest equipment sales for switches and other equipment, are almost totally from non-U.S. suppliers such as Alcatel, Siemens, Ericsson and Nokia.
- Atheer Communications, awarded the southern region contract, has yet to post the required performance bond in the amount of \$30 million. The company is not capitalized, and there is reportedly minimal service in the southern region. There are credible rumors Atheer is selling off parts of its license to subcontractors.
- Iraqna (Orascom), the cell operator in the central region, offers erratic and prohibitively expensive service. It can cost an Iraqi company \$1000 to commence service. Phone cards expire within a 1-2 week period if used or unused, defying all cellular industry practice. Text messages can not be sent or received.
- AsiaCell, the cell operator in the northern region, is supposedly not deploying according to the provisions of its contract award; and is not offering service in a large part of the region.

A full investigation into the awarding of the contracts and the reliability of the people involved is therefore warranted and should be undertaken immediately. Outside parties (*Newsweek*, *USA Today*) are already conducting such investigations. The U.S. government must proactively address this issue.

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Our recommendations are:

- Upon receipt by the Department of Defense Inspector General this report be immediately transmitted to the Department of Justice to determine what civil or criminal activities might be pursued by relevant authorities in spite of the relative absence of a dependable legal or judicial base in Iraq or within the CPA. Anyone determined to have committed any improper acts should be subjected to appropriate administrative procedures, and anyone determined to have committed any criminal acts should be prosecuted to the fullest extent of the law.
- That a full-scale audit be immediately undertaken of the MOC and of the CPA Office of Communications to determine whether any files bearing on the cellular licenses can be located or reconstructed.
- That an investigation of the winners of the three cellular licenses be undertaken on an urgent basis to determine if each or any of the licensees have properly fulfilled their obligations under the terms of the award. As there appears to be only segmented, incomplete, and expensive service in Baghdad, virtually no build out in the south, and the evolution of a very limited hybrid system in the north, there appear to be performance grounds for rescinding the licenses. That, of course is in addition to the inherent prohibition of any adherents of the regime of Saddam Hussein holding a license. This investigation should be completed as soon as possible, and, based on the information uncovered to date, serious consideration should be given to the swift and summary cancellation of all three licenses to prevent further exacerbation of ongoing harm to both U.S. and Iraqi interests.
- If such a cancellation appears in order, there is not sufficient time before July 1 to rerun a bidding process, and there is sufficient evidence of corruption to counsel against such an effort. For those reasons it is recommended that the remaining bidders who are currently capable of immediately taking over the build out of the cellular system be identified and chosen as replacements for the failed and flawed bidders. Such a choice should include a CDMA component to ensure that the Auchi monopoly cannot be reconstituted under readjusted ownership. The chosen consortia should be empowered to take over the build out immediately and have performance benchmarks established for July 1 and for the remainder of a two-year renewable license.

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BACKGROUND

The CPA is the interim governing body of post-war Iraq. As part of its efforts to rebuild Iraq and establish previously non-existent critical infrastructures, in this case mobile telecommunications capabilities, the CPA announced a competition in July 2003 to solicit bids for mobile telecommunications service throughout Iraq.

To fully understand the conspiracy to control the Iraqi cellular telephone system, it is useful to look at the landscape before the war started. Before there was a Coalition Provisional Authority (CPA), the entity charged with designing and managing the institutions necessary for running post-conflict Iraq was the Office of Reconstruction and Humanitarian Assistance (ORHA). It was run by retired Lt. General Jay Garner and was staffed by DoD using resources from the Agency for International Development (AID), DoD, and elsewhere in the government and private sector. ORHA grew quickly in Washington and then was transferred to Kuwait early in February 2003. It was charged with providing everything that was necessary to transform Iraq from a theater of war to a functioning administrative entity. Important among its tasks was restoring Iraq's existing communications system and designing a new system which could allow Coalition military communications to connect to that new system.

Iraq's prewar system was essentially a hard-wire and fiber optic cable network that was said to serve 1.25 million customers, largely in Baghdad with a build-out to the larger cities. Cellular phone service had never been allowed to get a foothold in Iraq because of Saddam Hussein's security concerns. But in the year before the war, Saddam had had his principal international finance man, Nadhmi Auchi, bring in a team from Luxembourg that formed part of the French-trained support structure that underlay his North African and Middle Eastern cellular phone empire. That team would remain in place in Baghdad and help to form the core competency of the CPA communications effort after the war.

In Kuwait, the ORHA communications effort was acquiring form and personnel. A British-dominated team was put together to include Nick Massey, David Leech, Jim Davies, and Terry Sullivan. The first three were communications specialists from the British military services. Sullivan was American with a similar background. The first moves that would result in the creation of a communications system for Iraq not surprisingly provided for emergency systems to allow the Coalition forces to communicate beyond the purely military channels in Basra and Baghdad. The British leadership, reflecting the capabilities of the British telecom leader Vodafone, gave out a GSM contract for Basra to MTC-Vodafone, a hybrid firm composed of Wataniya, a Kuwait-based cellular firm with Kuwaiti and Iraqi partners (and a Vodafone imprimatur but no Vodafone participation), with Nick Massey as its supervisor. MCI, an American firm which already provided telecom services to DoD but was enmeshed in bankruptcy proceedings, was given a parallel GSM contract for Baghdad.

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The MTC-Vodafone consortium was a significant choice for the emergency network for Basra, because it was fully prepared a month before the war started to begin an unauthorized GSM build-out from Kuwait northwards, employing a small fleet of flatbed trailers to carry the towers and using a large cache of allegedly stolen handsets with Kuwaiti telephone numbers to hand out free of charge. It was significant as well because the consortium was put together using the financing and telecom resources of Nadhmi Auchi. (The very same consortium would reappear later as part of another winning Auchi combination.) The MCI award for Baghdad assured interoperability with Basra, but with a company that probably could not compete in the long run and had no international operating experience.

After the ORHA communications group moved to Baghdad, it was decided that it should focus on quickly putting together a competitive bidding process for a national Iraqi cellular telephone system. It was further decided that “to promote competition” and to ensure that the build-out was not concentrated in Baghdad, the most developed and lucrative market, the country would be split into three parts, North, Central, and Southern. The bids were to be ostensibly technology neutral (i.e. between GSM and CDMA), and would allow bidders to bid on any two of the three regions. Winning bidders would be allowed to build out in other regions as soon as they completed the build-out in their original area.

The CPA team headed up by David Leech drew up the plans for this elaborate bidding process. The plans and the official Request for Proposals (RFP) were to be unveiled at a bidders’ conference in Baghdad in late July 2003. From nearly the outset, the team was without significant supervision in Baghdad as a result of the replacement of General Jay Garner by Ambassador L. Paul Bremer. Former Department of Transportation Deputy Secretary Darrell Trent was appointed Senior CPA Advisor to the Iraqi Ministry of Transportation and Communications but arrived in Baghdad only in late May, and was inundated by aviation, railroad, bridge, port, and road problems, to the detriment of the communications sector. This anomaly lasted about five months and ultimately prompted the decision to create a freestanding Ministry of Communications, but the problem gave the understaffed CPA communications team relatively free rein to develop the plans for the cellular phone tender.

It is believed that in that effort they were assisted by the ongoing presence in Baghdad of a team of GSM experts from MEC Telematik of Luxembourg. (See Appendix M) This inquiry has established that the company or members of its team were in Saddam’s Iraq prior to the war, assisting on the telecommunications infrastructure. (There is speculation that Auchi had assisted Saddam with procurements for this telecommunications infrastructure through his holding company, also based in Luxembourg.) There is strong circumstantial evidence that MEC Telematik was able to exercise influence over the specifications for the cellular bidding and subsequent work, including the First Responder Network for Iraq. In a written communication of February 13, 2004 the CPA Deputy Senior Advisor of Communications states to a U.S. contractor in reference to MEC Telematik: “There is no one who knows Iraq and the existing networks better, as they are the ones who just spent 18 months installing it all.”

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While David Leech was in full control of the RFP and the cellular bidding process, the CPA found and appointed a Senior Advisor for Telecommunications, Dr. Daniel Sudnick, who had a strong telecommunication policy background. He would serve as Darrell Trent’s deputy until the Ministry of Communications was formally split off from the joint ministry. Sudnick’s initiation into the world of Iraqi telecommunications came at the bidders’ conference in Amman on July 31. David Leech led the roll-out effort on behalf of Darrell Trent, but it was evident from the moment he finished his presentation and the questioning began, that the bidders’ group believed that the RFP had been rigged to assure a GSM result and suspected that it might have been further rigged for particular companies. (The original press notice from the CPA on July 18, 2003 had said that either GSM or CDMA technology could be employed provided it was “within the offered frequency band.” As it turned out, the only frequency band offered in the RFP issued on July 27 allowed the 900 MHz frequency, used by GSM, but required CDMA users to “justify use” of the 800 MHz. This discrimination was only corrected by a letter to Ambassador Bremer, resulting in changes to the RFP. But it did not allay suspicions that a bias toward GSM did exist in the CPA.)

In the end it was left to Darrell Trent to ease the pandemonium in the conference chamber and to craft a revised RFP that would assure a “level playing field” for the bidders. Leech, who was to have overseen the bidding process to the end, was relieved and sent back to England. Sudnick then took over the process using Jim Davies, Leech’s deputy, as his guide.

There is no doubt that Davies followed the Leech blueprint for the licensing. In order to understand what ultimately took place, it is useful to follow the official and unofficial descriptions of the bid submission process. Bids were to be submitted in electronic form, and the decisions on the three licenses were to be made by an unnamed committee consisting of four people, two Iraqis and two Americans. It was also reported that individual bids would be edited to remove the identity of the bidders, ostensibly for reasons of impartiality. It is unclear, however, who did the editing and what the extent of the editorial activity was. After the licensees were chosen there was concern that rival proposals might have been intentionally and materially altered during the judging process.

Sudnick initially appeared to be the supervisor of the project, but admitted privately early in the process that he was also one of the U.S. “evaluators” or “selectors” (if, in fact, these two “boards” were truly different in composition, as it was stated to the bidders they were). The identity of the projected second American evaluator is illusive, as several Americans were brought in and out of the process on a continuing ad hoc basis. It was not Darrell Trent, as he recused himself from the process because a relative of his worked for MCI, which already had the Baghdad startup emergency contract and was thought to have an interest in the bidding. That fact, however, left the ringmaster’s role to Sudnick alone, and in appearance and in fact he was in charge. Regarding Sudnick’s own growing substantive responsibilities, he complained that he did not have the backup he needed in Baghdad or Washington to help with the judging or indeed to support his larger role overseeing the nascent Ministry of Communications. He claimed he could not begin to look at proposals until 10:30 at night, and complained that he had markedly

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fewer staff than his Iraqi counterparts. None of the Iraqi judges (or, indeed, the American judges), if there were any, were ever publicly identified, ostensibly to avoid pressure being put on them. The Iraqi group appeared to be headed by Director General Shakir of the joint Ministry of Transportation and Communications, with backup provided by (as will be shown) people who were associated with Auchi's consortia, and who in turn worked closely with Davies.

But it is significant that, to this day, there has been no written description provided by the CPA to officials in Washington of the details of the selection process other than in the most generic terms. Who composed the Source Selection Evaluation Board (SSEB), for example? How were they selected? What, if any, technical advice were they given by experts outside the USG? What specific metrics, and in what priority, were used to assess the bids? Davies, in response to questions raised in the interagency working group, spoke of general criteria about capability and connectivity which would result in a red, yellow, or green light classification being given to each proposal. Even after the fact, there remains confusion as to who actually made the selection.

Throughout the projected RFP period the process appeared to be entirely in the hands of Davies with some input from Sudnick. In spite of serious concerns expressed in transatlantic CPA/Washington interagency teleconferences about the absence of transparency, Davies remained resolutely defensive and opaque. For an extended period he would not divulge even the number of bidders, much less their names or nationalities. This lack of transparency prevented rival bidders from analyzing the makeup of all the various consortia, and thereby allowed the agents of the former regime to proceed unnoticed and unacknowledged in the process.

It is not clear at what point Sudnick became an unwavering backer of GSM, as he maintained the public fiction of technology neutrality until the IG investigations. He maintained in statements to the press, and as it was the official CPA position, repeatedly told the bidders, that the competition was "technology neutral." Yet when questioned by the IG investigator whether there had been absolute neutrality between the two cellular standards in the bidding, he straightforwardly admitted that CDMA had been eliminated from the competition.

A neutral observer might provide a clue to Sudnick's bias in this regard. He said that Sudnick seemed overwhelmed with his responsibilities when he arrived in Baghdad, and was clearly grateful to be able to follow the British agenda that had been put in place before his arrival. Sudnick would have had no reason to think at this time that his British cohort colleagues at the CPA had any interests beyond promoting Vodafone and GSM technology or that Auchi interests were hovering around the process. He may well have come from Washington fully prepared in advance to implement a GSM cellular solution for Iraq, which would have made his alliance with the British a natural one. Sudnick's inaugural briefing in Washington stressed only that he might come up with a "Bell solution" to include GSM as a result of his experience with Bell Labs and Lucent. Nonetheless, Sudnick's bias against CDMA became apparent to Darrell Trent and was the subject of quarrels between them while Trent still retained the responsibility for communications. As soon as Sudnick became the undisputed Senior Advisor for Communications, he backed the British plan and leadership 100 per cent.

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As stated earlier, there is no evidence suggesting that Sudnick had any reason to suspect at the outset any connection between the British contingent and Auchi's plans and activities in Iraq. Auchi had effectively bought himself both respectability and influence in British social and political circles, and British political leaders and cabinet ministers have served and still serve on his boards of directors. In addition, there is a transatlantic organization called Le Cercle ("the Club") founded decades ago by French minister Antoine Pinay, that brings together Europeans and Americans from the political, military, and intelligence communities to discuss issues of mutual concern and to network. In 2002 Auchi was brought into Le Cercle by Lord Cavendish, the former head of British intelligence. It is altogether possible therefore that the marriage between the British telecomm specialists in Iraq and the Auchi telecomm interests in the region was brokered in advance.

While the British-contingent and the Auchi operatives were weaving their web in Baghdad, ostensibly under the Trent-Sudnick split responsibility, two CPA bureaucracies were being built in parallel in Baghdad and Washington. The CPA Rear, based in Washington, was created to provide instant backup to Baghdad in every functional activity central to Iraq's reconstruction. As a result, a first class telecomm team was put together using the top telecommunications people at DoD, the professional telecommunications assets of Bearing Point (a management consulting firm brought in by consultants working under AID) and an oversight team culled from the Policy bureau at DoD and the NSC. Its aim was to assure a viable strategic plan was being developed in Baghdad to provide a comprehensive telecommunications system for post-war Iraq. The team was run under the leadership of Acting Assistant Secretary of Defense for Networks and Information Integration (NII), Linton Wells. Elements of it went to Baghdad in July 2003 and as the Iraq Transition Team for Communications in January 2004. From nearly its inception, that team became frustrated with the turgid flow of planning information coming from Sudnick and his skeletal team in Baghdad. Sudnick blamed Washington for not providing sufficient staff; Washington blamed Sudnick for being unresponsive and unwilling to adapt to deal with the abundant resources beyond Baghdad it provided him. It is no exaggeration to say that the team believed that Sudnick's maneuvering and prevarications cost the communications efforts 6-9 months.

Through the fall of 2003 and into the spring of 2004, the growing tension between these two communications elements of CPA created a situation in which Sudnick became the unchallengeable arbiter of telecomm issues, from cellular licenses to the creation of an Iraqi telecommunications regulatory body to the creation of a First Responder Network (FRN) tying together security forces, Iraqi institutions and emergency services, and the emerging Iraqi public telephone system. He reported directly to Ambassador L. Paul Bremer, and used his considerable technical literacy to assure total control of CPA telecommunications policy in Baghdad. In this capacity he controlled the evolution of the entire Iraqi cellular tender process, assuring the continued British direction of the effort, and the eventual success of the Auchi interests. Washington grew increasingly frustrated by Sudnick's inability to generate any real implementation plans or activity, and his stream of complaints, excuses, and half-truths about

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what was happening. In effect Sudnick’s absorption with the license tender during the late summer and fall of 2003 provided him with a rationale for overall lack of responsiveness to Washington.

This background is important as Sudnick, Davies, and the rest of the CPA telecomm team were able to develop the plans for the cellular license tenders with only intermittent supervision. CPA authority senior to Sudnick was unable to really challenge him until March 2004, by which time the cellular licenses were in the hands of Auchi interests and Sudnick had moved to try to ensure—through the emergency First Responder Network (FRN)—a GSM commercial monopoly in Iraq. His resistance to the incorporation of U.S. CDMA technology persisted even into the development of the FRN (and surfaced as a violent opposition to any potential commercialization of the FRN) even though he had seemingly agreed to the utility of having an interoperable GSM/CDMA “spine” on the FRN. In spite of the fact that a need existed to provide ongoing maintenance and support for the FRN, Sudnick unsuccessfully tried to include anti-commercialization language in his submissions to OMB for Congress. (He disingenuously tried later to pass this off as “Congressional language” in an effort to kill the ongoing CDMA effort.) The intensity of his opposition can only be explained by a need to assure his Auchi combine of a total absence of CDMA competition within the country. His involvement in the combine, however, only began to become evident as the tender process began to pick up momentum and he began to actively promote and coordinate simultaneously all three elements of the Auchi trident: The British orchestrators of the tender process, the MEC Telematik group from Luxembourg, and, the components of the Auchi corporate empire with its Alcatel underpinnings. This activity, together with allegations late in the process by two Iraqi ministers that he was one of three people and the only American who was being paid off by Auchi’s paymaster in Baghdad make it clear that he had to be the hub of the process, and not a well-meaning dupe.

Regarding the award process for the Iraqi cellular licenses, Sudnick was obviously a late arrival to the scene. He arrived just in time for the Amman bidders conference in late July, 2003, but the GSM and Auchi fix had been in progress for some time before his appointment. Darrell Trent used the shortcomings of the GSM-focused RFP to try to produce a completely revamped, “technology neutral” RFP. While David Leech was fired for producing both the slanted RFP and for what was seen as an arrogant, “take it or leave it” briefing in Amman (Leech had announced at the conference that he would in effect administer the tender process himself), Sudnick slowed down Leech’s departure and eased the transition to Davies. To fully understand what happened in the cellular license tender, however, it is useful to see how the Leech and Auchi influences were introduced into the RFP and how they remained undiminished in the disposition of the proposals. The collaboration is first evident in the evolution of the bid documents for the Iraq cellular tender.

On June 13, 2003 a white paper entitled “Post-War Wireless Telecommunications in Iraq” (see Appendix B) was published. The paper was written by Ahmad Haleem, an employee of Wataniya, a Kuwaiti business that subsequently was awarded one of the three mobile licenses in

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Iraq from a field of 35 bidders. Wataniya was also involved in the pirate GSM build-out from Kuwait to Basra immediately after the war.

A CPA press release of July 18, 2003 announced the competition for three separate licenses (north, central and south) for mobile telecommunications services in Iraq. Minimum coverage and rollout expectations were set out, as was the licensing period of 24 months. Licenses were to be issued “following a transparent and fair competition, to be based on an assessment of fair value, undertaken by the CPA and based on Proposals received.”

The first version of the bid documentation for the cellular competition for Iraq (“Statement of Objectives for Iraq Mobile License Offer” see Appendix C), authored by Leech and Davies, was offered on July 27, 2003. Several major recommendations were lifted straight from the white paper and inserted into the Offer, including:

- CPA would issue three licenses, one each for north, central, and south (Paragraph 3 in the Statement of Objectives; Section 4.2 in the white paper)
- Bidders must state coverage levels at 2 months, 6 months, 12 months and 24 months (Paragraph 5 in the Statement of Objectives; Section 4.3 in the white paper)
- Licenses will be issued for 24 months (Paragraph 8 in the Statement of Objectives; pages 8, 9, 11, and 12 in the white paper)
- Spectrum allocations recommended by the white paper are closely followed in the Statement of Objectives (Annex C in the Statement of Objectives; page 21 in the white paper)

The white paper made several seriously incorrect claims about CDMA technology, including that it costs more, would limit international communications, and that there would be limited suppliers. (See Appendix D for a comparison of CDMA and GSM.) The paper concludes, on the basis of these mistruths, that Iraqi cellular service should be keyed only to the GSM standard. While there are myriad reasons to support GSM in Iraq, the only reason to exclude an interoperable GSM/CDMA system would be to exclude CDMA technology entirely, and it would be hard to explain the concerted efforts to “eliminate” this American technology except that it threatened the GSM monopoly now enjoyed by the Auchinback-backed cellular winners.

The level of dissatisfaction from the Amman bidders conference forced a general revision of the terms of the RFP by Trent, overseeing Sudnick, Leech (who was about to depart), and Davies when they returned to Baghdad. On July 29, 2003 Liberty Mobile, one of the potential bidders, wrote to Ambassador Bremer asking that several key points in the bid specifications be altered or removed since they had the effect of excluding CDMA technology from consideration; Liberty also questioned how and by whom the bids would be considered.

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The Liberty Mobile letter cited several major problems in the specifications. Chief among them was the apparent lack of permission to be able to use the 800 MHz spectrum, universally employed by CDMA. The specifications required a bidder to “justify” use of this spectrum and to make “a complete spectrum survey prior to commencement of operations.” Neither such requirement was made for a company seeking to use the “GSM” frequencies. Moreover, should a bidder be granted use of the 800 MHz spectrum, he would be deemed “a secondary user of the spectrum.” No such burden was placed on the 900 MHz spectrum, which is used by GSM technology. The Liberty letter also criticized omissions such as the failure to include any provision for wireless data services, despite the demand for data transmission in the reconstruction work, and particularly given the dilapidated wire network. Since CDMA is a vastly superior technology in this aspect, the complete absence of any requirements for high speed data services, despite the needs of the country, was seen as an unfair attempt to exclude this important competitive feature. The letter also raised the matter of “roaming.” The Offer stated that “licensees will be required to provide full national and international roaming service through agreements with other Iraqi licensees and with a wide range of operators in trading partner countries.” It is worth quoting at length the Liberty letter’s objection to this requirement, since the objection itself stands on practices used in the U.S. by the FCC: “This statement is vague (it does not define “trading partner countries”) and could be construed to require that the licensee must provide roaming to Western European countries, where wireless operators are not permitted to deploy CDMA technology. In the United States, the FCC does not impose any roaming requirements on carriers...and does not use roaming as a criterion in issuing wireless licenses...to do otherwise would violate the FCC’s principle of technology neutrality.”

As a consequence, the tender documents were revised August 3, ostensibly removing the bias against use of CDMA technology. The bid specifications were altered to accommodate many of these objections, and in a subsequent letter to Ambassador Bremer, Liberty Mobile stated “we believe the new terms represent a marked improvement and that they have effectively removed the bias against use of CDMA technology...and Liberty Mobile is preparing to participate in the tender.” Nonetheless, since several bidders, including Liberty Mobile, had seen the Wataniya “white paper” circulating in Washington in June prior to its “incorporation” into the first tender Offer, and had seen the “entrenched” arrogance of the CPA British advisors at the Amman conference, there remained considerable skepticism that the “level playing field” promised in his statement by Ambassador Bremer could, in fact, be relied upon.

In spite of the responsiveness that was reflected in the issuance of the revised RFP, interested observers in both Baghdad and Washington regard the ensuing period from August 3 through the deadline for proposals on August 14, which then slipped to August 21, and then through September 5, when the winners were to be announced, as a “black hole” so far as information was concerned. There was much political activity on the part of the Iraqi Governing Council, and reports of interaction between the leadership in each region and different levels of the CPA in Baghdad. The so-called Source Selection Evaluation Board (SSEB) never attempted to appear transparent either as to membership or as to relations with the Governing Council or specific parts of the CPA. This created a situation in Baghdad in which fragmentary information

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generated rumors and the rumors fed into conspiracy theories. As one CPA “insider” summarized the licenses in an email to another “insider” on November 2, 2003: “You said that Auchi had a 30 percent in the stake [sic] with Swaris who is Orascom. So it would look more like: Talabani in the North. Swaris in the center with Auchi. Chalabi in the South.”

What was unseen or not remarked upon until the final announcement of the winning consortia was the unflinching hand of Nadhmi Auchi working with the various elements of the CPA telecomm team and the Iraqis on the award team. (See Appendices G, H.) When the window finally closed for proposals on August 21, it remained unclear what the full range of bidders represented: Most were GSM based; many had strong European corporate representation; many had either American corporate participation or were largely American consortia. Only after the announcement of the winners on October 6, 2003 was it revealed that proposals had been received from 35 companies, which (because of the requirement to bid on more than one region of the country) submitted a total of 85 bids for the three licenses.

A list of the bidders and their component elements has never been made public. Of greater consequence, as of this date, the records of the process, including the electronic and written bids for the cellular licenses, and all documentation on the selection process itself appears to have been destroyed.

The two months after the closing of the bidding was a time of tension within the CPA and a time of opaque political and financial intrigue in the perception of both the bidders and Baghdad cognoscenti. The supposed announcement date of September 5, 2003, however, turned out to be anticlimactic: After the mountain had labored to bring forth the mouse in the form of three winners, Ambassador Clayton McManaway, Ambassador Bremer’s administrative deputy, pulled the announcement with only the explanation that the awards would be postponed. No one beyond the CPA administrative circle knew the reason for the change, but it was later leaked that one of the winning bidders had heavy Baathist components within its consortium. As the ultimate winning trio was controlled by a central financial figure of the Saddam regime, it seems ludicrous that the process was stopped to supposedly remove a firm, Turkcell, that was one of the strongest bidders, and which in the end had no Saddam ties which could be identified. Nonetheless, the process resumed for over a month more, with ostensible due diligence being done in Baghdad on the winners.

A financially astute observer might ask searching questions about the extent of appropriate due diligence done both before and after September 5 by the CPA team. Internal financial control processes for the Ministry of Communications, according to a memorandum issued by Bearing Point on April 13, 2004 (shortly after Sudnick’s removal) were “few to non-existent.” (See Appendix F.) Sudnick’s claim that the consortia had been vetted by the CIA, and his complaint that that effort had itself been responsible for prolonging the process, could not be confirmed. Turkcell, which had been led to believe it had won the northern region contract, and had been fully vetted, appropriately cried foul, and has been trying diligently to get reinstated in the north. Turkcell thought its ties to Talibani would be, when conjoined to merit, sufficient to assure the

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license. (Auchi was presumably able to trump Turkcell’s Talibani card with one of his own and have Turkcell eliminated on trumped up Baathist charges generated by his supporters within the Governing Council). It is impossible to determine without additional investigation whether an Auchi deal with one of Turkcell’s component companies fell through in the end or whether Auchi merely managed to cut a more comprehensive deal with AsiaCell at Turkcell’s expense.

This small Turkcell vignette is, however, a mark of the depth of the intrigue underlying the award of the Iraq cellular licenses. It shows the difficulty of separating wrongdoing from dealmaking when operating in an environment which lacks any legal basis. Also, it should be noted that while this office was granted significant investigatory authority, under the terms of the OIG/AT&L Memorandum of Understanding this office is expressly prohibited from conducting the formal audit which is necessary to fill evidentiary gaps in the record thus far uncovered. As such, this report makes no pretext at being complete. It attempts only to point up persistent small truths and probable causal relationships, and refer them to competent legal authorities for further investigation and appropriate legal action.

As the accompanying timeline indicates (see Appendix K), the two months between the closing of the bidding and the putative award date, and the actual award date, was a time of public claims and counter claims and moves made by some of the ostensible winners to assure their victory. Auchi and his financial associates were able to pump up the price of their companies by leaking the news of the awards to the financial world. Indeed, the stock run-up on Orascom (see Appendix H) during late September 2003, fueled by press predictions they would win in Iraq, allowed the company to pay for its Algerian cellular license, which was past due at that point. Terry Sullivan, who had played a principal bridging role between the CPA and the Iraqi Governing Council, left two weeks before the public announcement of the award to join the southern region winner, Atheer. Nick Massey followed suit soon after to become the project manager for Atheer. There was no doubt within the intertwined elements of the CPA team and the Auchi controlled companies that they had managed to rig the contracts for one of the crown jewels of Iraqi reconstruction.

CPA’s treatment of Liberty Mobile at this time gives some insight into the arbitrary and capricious nature of the process: Col. Tony Bell, who was then the head of CPA contracting sent Liberty Mobile a letter outlining the reasons they ostensibly had not won a license: “Predetermined evaluation plan with evaluation factors that were developed prior to receipt of the submissions are used to evaluate the individual proposals. The board used a red, yellow, and green (*sic*) for the different criteria and assigned an overall color rating. Upon completion of the review, the board continued to work (with) those that had an overall green (satisfactory) rating. The board worked these into a ranking by region. Due diligence was performed on the offerors using various databases accessible to the coalition. The recommended submissions were presented to the source selection authority for approval by the Board.”

Each of Bell’s points is either untrue or irrelevant to the terms of the RFP. In a parallel performance, Bell informed Turkcell of their ostensible failure in a performance that they could

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only label as “pathetic.” At that time, Sudnick took pains to denigrate the CDMA proposal (which was Liberty Mobile’s) as “one of the worst proposals,” and said that it depended on unproven dual-use (GSM/CDMA) handsets and had no operating element with sufficient experience to do the job. All of this was demonstratively untrue: Samsung—the operating arm of Liberty—has a base of 50 million subscribers, and its dual use phone was in use in Korea at the time. As Liberty Mobile was highly experienced in writing successful cellular system proposals, and thought their submission was unquestionably the most comprehensive proposal they had ever made, they wondered if their proposal had been electronically edited or otherwise tampered with. As the process provided for neither appeal nor redress, and was devoid of transparency, Liberty had no way to make its case known except to cry foul.

One further element entered the cellular license picture, however, on September 1, 2004. On that date, without any warning to the CPA telecom team, the Iraq Governing Council announced the appointment of a Minister of Communications. The minister named was Haider al-Abadi, an elevator engineer and part-time Islamic lecturer based in London. He was the creature and appointee of Ibrahim al-Jafferi, head of the Shi’a Dawa Party, and member of the Iraqi Governing Council. Haider Al-Abadi’s appointment created a new problem for the CPA cellular phone team: determining the role and responsibilities of the minister in the approaching announcement of the license winners. The choices had been made and the preparations under way for an announcement on September 4. The sudden announcement of his appointment, however, created a political problem that at a minimum was likely to delay the announcement and at worst could have revised or reversed the licensing decisions. The next few days were agonizing for the telecomm team and the CPA leadership as there was a determination to go forward with the decisions in spite of a desire on the part of the minister to review and re-award the licenses.

All of the assumptions of the telecomm team regarding the viability of the putative licensees were thrown into the political melee created by the Governing Council’s appointment of the cabinet of ministers. Political arrangements that may have been quietly worked out without any overview then had to be able to resubmitted to political scrutiny. The Auchi element in particular had to be acceptable to the new Iraqi political slate. It is therefore not surprising that the announcement date was first slipped to September 5, and that the prepared list was then pulled by Ambassador McManaway. The minister was said to be recalcitrant about accepting the results but gave no public indication why. His position became clearer, however, when he suddenly went to London on September 8. He stayed in London for five to seven days and met there with Naguib Sawiris, the head of Orescom and Amar al’Khadi, a London- and Kuwait- based bagman for Auchi. At the meeting he was allegedly either promised or was actually paid \$5 million to ratify the Auchi trio of licensees. The object of the McManaway pullback, however, should be seen in relation to the London meeting. It was to ensure the removal of Turkcell for reasons best understood by the Iraqi Governing Council, and the ratification of a country wide Auchi combine.

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The minister returned to Baghdad supportive of the Auchi choices. He nonetheless raised a litany of difficulties over the period running up to the license announcement: He would add a fourth licensee; he wanted the two-year duration of the licenses shortened; he wanted to change the licensing terms; and he carried on a running debate over who should actually announce the licenses, the CPA or the Ministry. As this would be an Iraqi system in no way reflecting appropriated U.S. funding, CPA insisted that the announcement and responsibility for the choices be accepted by the Ministry of Communications, and by the minister personally. In the end al-Abadi made the public announcement in front of his ministry without any of his amendments.

The announcement contained no surprises: Orascom, Auchi's principal corporate vehicle, received the most important and lucrative central license, which included Baghdad. Atheer, the largely Kuwaiti combine, interwoven with Auchi's financial tentacles, won the southern region, and AsiaCell—another largely Kuwaiti entity bringing together U.S., German, and Chinese elements conjoined through Auchi's banking and telecom ties—received the northern contract. While the announcement created no great sense of surprise because of the ongoing barrage of leaked details, the average informed Iraqi was reported to be less than enthusiastic about the Kuwaiti and Egyptian ownership of their new phone system on the one hand, and universally cynical that the CPA had been outwitted by Auchi and Co. in conjunction with several of their political leaders. It did not go unnoticed that a principal background figure of the old regime was shown to have returned to favor with CPA support. Details of the three companies follow, below.

THE CELLULAR WINNERS

Central Iraq and Baghdad: Orascom Telecom Iraq Corporation (“Iraqna”)

Orascom's Iraqna is owned 63% by Orascom Telecom Holdings and 37% by others including Allied TC, Plc (Amar al Khadi and Shawan al Mullah, principals) as well as Alaa al-Khawaja, who also holds shares in Wataniya and is a business partner and front for Nadhmi Auchi. The Sawiris family in Egypt owns the majority stake (57%) in Orascom; through various fronts, Auchi reportedly holds 20-30%.

Southern Iraq: Atheer Telecom Iraq

Originally, Atheer's investors were to be 30% from MTC (Kuwait) which contains Auchi investment through Alaa al Khawaja; 50% from the “DIJLA” consortium of Iraqi investors (represented as a group by Muthar Shawkat, a senior official of the Iraqi National Party headed by Ahmed al-Chalabi) and including three other investors: M. Cherchufchi, Ali Sharif and Wail al Sagar; and 20% from Kuwaiti investor Mohamed Kharafi. (See Appendix O for ownership chart). This consortium was apparently never capitalized due to shareholder disputes. Fastlink of Jordan, an MTC- and Auchi-controlled company, now has a “contract” to manage Atheer. The consortium may not be in compliance with the terms of its license. MTC's place was assured by

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British commander Nick Massey, who was in Basra in the war and was able to so entrench MTC's interests there that it appears they never really had to compete for the southern license.

Northern Iraq: AsiaCell Telecommunications Company Ltd

AsiaCell is financed by investors including Asia Cell Telecom (51%), Wataniya (40%)—whose employee wrote the white paper on which the original bid specifications were built—and United Gulf Bank of Bahrain (9%). AsiaCell had been operating in Iraq under Hussein. Motorola and Siemens are principal suppliers, as well as Huawei, a Chinese company that operated in Iraq under Saddam Hussein.

Although the contract winners were announced on October 6, 2003, formal signing of the contracts was then delayed because of an ongoing disagreement between the minister backed up by his Dawa party appointees at the Ministry of Communications, and the CPA regarding who should actually sign the contracts—Haider al-Abadi or the CPA, and whether a welter of new terms could be added to the contracts by al-Abadi. Sudnick, backed by Bremer, held Al-Abadi's feet to the fire and the contracts were signed by the MOC minister and the companies on December 22, 2003. It wasn't until March 23, 2004 that Sudnick, under duress, emailed Linton Wells copies of the Iraqna and Atheer contracts. It is worth noting that Sudnick had what appeared to be a running battle with al-Abadi over almost every aspect of telecom policy in Iraq and made an apparent effort to have him removed or replaced. As that replacement effort never materialized and as Sudnick was alleged to have been paid by the same paymaster as the minister, it worth asking whether their differences were merely of personality. Substantively, they were in agreement on the results of the cellular competition (as long as Al-Abadi did not change the Davies/Sudnick/Auchi choices of licensees). They got there by different routes, but Sudnick ensured that Al-Abadi bought into the master plan that assured a monopoly GSM system for Auchi. As the various licensees failed to meet some of their obligations in April 2004, Al-Abadi began to make noises about revoking the three licenses and issuing new ones and a fourth license, presumably for his own account. His action not only prompts Chicago-style thoughts about how long he was prepared to "stay bought," but raises questions about what will happen when he becomes fully empowered on July 1, 2004. Perhaps that was what prompted Sudnick to leave a memo urging Al-Abadi's firing as he himself was relieved in Baghdad.

From the start and throughout the process the competition for mobile phone licenses was supposed to be completely "technology neutral," in conformance with very well-established policy observed by the FCC in the U.S. and by the USTR and Department of State in every forum where telecommunications issues are raised. That was the official position of Sudnick as the U.S. Government Senior Director of Communications for the CPA. He continued to claim he established "a level playing field" until he was interviewed by the IG months after the tender results were announced. He alone was entrusted with the responsibility for assuring technology neutrality in the face of concerted opposition. "Technology neutral" means either of two technologies (or both with the introduction of dual use handsets) could be introduced to solve the

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Iraq cell phone requirement. Worldwide, there are two general types of technology used in mobile cell phones:

- GSM (Groupe Speciale Mobile, a European standard)
- CDMA (Code Division Multiple Access, widely used in the U.S., Korea and Japan)

From a very careful review of all the public tender documents, and comparison of what was told the bidders against statements made by Sudnick to the Inspector General, it is clear that CDMA was never really considered for the mobile contracts. Indeed the process can be best described as intended to exclude CDMA from Iraq. The bidders were given misleading or false statements throughout the process. The contracting process was deeply flawed, clearly discriminated against this American technology, and awarded licenses to companies having substantial involvement with individuals and companies associated with the Saddam Hussein regime. While there are valid reasons why GSM could be considered as “more appropriate” for Iraq, such as its use by neighboring countries, the only reason for eliminating entirely the superior technology and interoperable GSM/CDMA handsets was that it would compete with—and indeed undermine the Auchu monopoly which the tender process created.

QUESTIONS RAISED ABOUT THE PROCESS

The aforementioned Inspector General (IG)’s report was requested following allegations of improprieties in the bidding and award process of the mobile licenses in Iraq, one of the largest contracts let in post-war Iraq. While the report concluded that no action was necessary since no American dollars were misspent, the problem of perceived corruption in both the new Iraqi regime and by U.S. Government Officials in the CPA’s office continues to cause repercussions for both Iraqis and Americans.

The Inspector General’s report includes several statements that conflict with other statements made by CPA personnel, especially Dan Sudnick. The IG report stated that the Ministry of Communications evaluated the currently available mobile telephone technologies. “They decided that the Global System for Mobile (GSM) type of technology was more appropriate for Iraq than the Code Division Multiple Access (CDMA) type of technology.” Further, the IG stated, “Although CDMA-based companies were not precluded from submitting proposals, only GSM-based companies were deemed to be fully qualified.” This runs counter to Sudnick’s assertion and U.S. Government policy that the two technologies would compete on a “level playing field.”

In addition to the ongoing question of whether CDMA was being considered as an equal competitor to GSM, there were questions of who was reviewing the bids and making the awards. In various documents, it was claimed that the Iraqi Ministry of Communications would make the decision, the CPA would make the decision, or, according to the bid documents themselves, a “source selection evaluation board and source selection authority” would make the decision.

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The IG’s report contains Sudnick’s contention that “CPA’s only role in the licensing agreement was to provide technical advice on how to conduct a source selection process in order to adequately vet the qualified bidders. The Source Selection Evaluation Board (SSEB) consisted of 14 evaluators and advisors, who represented U.S., British and Iraqi interests. All members of the board had equal weight in their input. Half of the board members were Iraqi.” This counters the oft-stated assertion that the decision on awardees was made by two CPA members, one of whom is assumed to be Daniel Sudnick, and two Iraqis. The full composition of the SSEB remains a mystery. (See Appendix L for a record of Sudnick’s statements on the SSEB.) This statement of CPA’s role is a major distortion of the truth. The question remains of who would have a reason to lie about the process.

Finally, there remain numerous allegations of payoffs and kickbacks from the winning consortia to a variety of decision-makers, including Minister of Communications Haider al-Abadi, Dr. Daniel Sudnick, and Iraqi Governing Council member Ibrahim al-Jafferi. Since the key winning bidders experienced timely run-ups in their stock prices prior to the public awarding of contracts and the key stakeholders—overlapping in multiple winners’ bids—have reputations as illegal money handlers involved in Saddam’s former regime, the entire process has been viewed by many Iraqis as deeply corrupted. Three separate sources provided details of corruption for this report: One identified separate source reported that, on the one hand, a payment of \$5 million was made to al-Abadi, a payment of \$5 million was made to the two Brits, and a payment to Terry Sullivan of \$1.5 million (with an undisclosed sum going to “a second American at the CPA.” A second source identified on the other that a payment of \$3 million made to al-Jafferi, and a matching amount to al-Abadi. A third source, two Iraqi ministers, identified Sudnick as one of three people had been paid by Auchi’s bagman, amounts unstated. If the \$5 million payments above derived from the license fees, then \$3.5 million is unaccounted for from that source. If Sudnick was the “second American,” then that sum could be the amount of the payment made to him highlighted by the Iraqi ministers. Further investigation and some serious auditing effort will, however, be necessary to definitively determine the real extent and amount of the payments made over the last nine months by the Auchi interests. Despite the CPA’s assertion that this was a decision-making process by and for Iraqis, it could only have occurred with American complicity, and that complicity had to have been provided by Daniel Sudnick.

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq

CONCLUSIONS

To fully understand the fix that was engineered to produce three cellular license winners and one winning technology in Iraq, one should start with the unlikely and startling outcome—the hat trick victory of three consortia covering the entire country of Saddam Hussein’s principal finance man—and then work backward to try and determine how it could have happened. Several groups had to come together to assure the results: The British GSM-focused group who initially were tasked with the design and direction of CPA cellular communications policy; their Iraqi counterparts and co-conspirators from the nascent Ministry of Communications; the Auchi connected groups running from MEC Telematik through the two Kuwaiti pirate GSM operators who created the first cellular linkage between Kuwait and Baghdad (and who became an integral part of the resulting Auchi combine in Iraq); and, finally, the elements of the Iraqi political leadership who could derive significant personal and political benefit from tapping these three cash cows.

The success of the conspiracy to fix the Iraqi cellular license tender is attributable to four things: First, cohesion and coordination between the British architects of the system and the evolving elements of the Auchi empire. In practical terms this meant close cooperation at the outset between Leech and his associates in Baghdad and the developers of the Kuwaiti pirate operators in the south. This was first evident in the use of the White Paper produced by one of those operators to craft the overall RFP for the system. On an ongoing basis it meant the incorporation of the Kuwaiti arms of the Auchi combo with its Orascom core, using the MEC Telematik team which Auchi brought to Iraq before the war as midwives employed by the CPA. The fact that Terry Sullivan and Nick Massey moved to Atheer and left their coalition positions two weeks before the announcement, and the rapid eradication of any sense of competitiveness between the ostensibly opposing bidders are indications of the success, and indeed, inexorability of the Auchi planning process. It required that there be a buy-in of their plans by the nascent Ministry of Communications, but the ownership of the MOC and the minister by Ibrahim al-Jafferi as the head of the Dawa Party ensured that the MOC would be wholly responsive to Auchi’s requirements. It also required that Sudnick validate their contributions to the process on a continuing basis, but he appears to have been co-opted early and remained supportive of them to the end.

Second, the process had to be and remain unremittingly opaque. As long as there was no deviation in the official line regarding the ostensible terms of the process, and a near total absence of any information about the bidders, their consortia, or their financing, no valid criticism could be made of the principal CPA players in the process. The process then became self-validating.

Third, the successful execution of the conspiracy depended on timing. It had to move with stealth in a series of abbreviated time frames so that the absence of any telecomm system in country would become the overwhelming countervailing reality if any potential criticism or competition were to challenge the move toward Auchi control after the choices were announced. Similarly,

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq

the June 30 date for the disappearance of the CPA provided a safe haven against the investigation of any wrongdoing as all decisions would then be in friendly Iraqi hands. The June 30 date also became another fulcrum for the country-wide imposition of the GSM standard in the FRN, and provided a necessary final role for Sudnick.

Finally, the success of the Auchu takeover plan required a competent and reliable facilitator in the senior communications position at CPA. At the outset that required only unwavering support for a GSM solution for all of Iraq. As the tender offering proceeded it required someone to assure a devolution of the bidding process and the certainty of Auchu control in all three regions. Sudnick created the perception as the winners were announced that he had been the overworked and understaffed victim of the wily Iraqi zealots at the MOC. That posture, however, clashed with the reality of his apparently fast growing strength as the CPA telecomm tsar in Baghdad, the creator of a new regulatory structure to replace the MOC, and, not least, the ongoing regulator of the commercial cellular system and the overseer of its incorporation in a FRN. His ability to translate criticism from Washington into support in Baghdad, however, gave him a false sense of invincibility. He believed he had taken control of the CPA contracting process as it affected telecomm, and was setting up what he called a “Silicon Crescent” in Baghdad to be the source of all telecommunications research and regulations, with himself as its gray eminence. In the process he forgot the elaborate web of explanations he had helped to craft both as to past and to future CPA activities. The combination of his failure to implement the FRN effectively and a recognition of the extent he had misled everyone in both Baghdad and Washington led to his dismissal as Senior Advisor in March, 2004. (He was told to resign formally on April 15, and submitted his resignation April 16, although he had been relieved by Gerald Thames as Senior Advisor several weeks before.) Before that, however, he had boasted that he had been the critical player in the cellular license tender, and had both “controlled the decision and ensured that the minister went along with it.” That admission unfortunately turned out to be true.

RECOMMENDATIONS

- Upon receipt by the Department of Defense Inspector General this report be immediately transmitted to the Department of Justice to determine what civil or criminal activities might be pursued by relevant authorities in spite of the relative absence of a dependable legal or judicial base in Iraq or within the CPA. Anyone determined to have committed any improper acts should be subjected to appropriate administrative procedures, and anyone determined to have committed any criminal acts should be prosecuted to the fullest extent of the law.
- That a full-scale audit be immediately undertaken of the MOC and of the CPA Office of Communications to determine whether any files bearing on the cellular licenses can be located or reconstructed.

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- That an investigation of the winners of the three cellular licenses be undertaken on an urgent basis to determine if each or any of the licensees have properly fulfilled their obligations under the terms of the award. As there appears to be only segmented, incomplete, and expensive service in Baghdad, virtually no build out in the south, and the evolution of a very limited hybrid system in the north, there appear to be performance grounds for rescinding the licenses. That, of course is in addition to the inherent prohibition of any adherents of the regime of Saddam Hussein holding a license. This investigation should be completed as soon as possible, and, based on the information uncovered to date, serious consideration should be given to the swift and summary cancellation of all three licenses to prevent further exacerbation of ongoing harm to both U.S. and Iraqi interests.
- If such a cancellation appears in order, there is not sufficient time before July 1 to rerun a bidding process, and there is sufficient evidence of corruption to counsel against such an effort. For those reasons it is recommended that the remaining bidders who are currently capable of immediately taking over the build out of the cellular system be identified and chosen as replacements for the failed and flawed bidders. Such a choice should include a CDMA component to ensure that the Auchu monopoly cannot be reconstituted under readjusted ownership. The chosen consortia should be empowered to take over the build out immediately and have performance benchmarks established for July 1 and for the remainder of a two-year renewable license.

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AUTHORS OF THIS REPORT

Edward Timperlake is the Director of Technology Assessment, International Armament and Technology Trade Directorate. He directed the investigation which underlies this report. He previously served as the National Security Investigator for the Committee on Rules, House of Representatives, where he investigated illegal foreign money entering the American political process. He also was a Senior Staff Member helping to establish the “Cox Committee” reporting on *U.S. National Security and Military/Commercial Concerns with The People’s Republic of China*. As an Assistant Secretary in the Department of Veterans Affairs he was the senior government investigative official in President Bush’s (41) Administration trying to resolve the medical issues of “Gulf War Illness.” A *New York Times* best-selling author, his books include *Year of the Rat* and *Red Dragon Rising*, investigating the illegal transfer of US technology to China.

James Adams is the co-author of this report. He is a former member of the National Security Agency’s Advisory Board and the founding Chairman of the NSA’s Technology Advisory Panel. Adams is the author of 13 books, all of which deal with the world of terrorism, arms dealing and the illegal financing of covert operations. His book, *The Financing of Terror* is considered the basis on which many counter-terrorism laws were built. His biography of Iraqi supergun manufacturer Gerald Bull gave him an intimate knowledge of Saddam Hussein’s illegal arms and financial networks. His book *Engines of War* exposed the illegal international arms business. He is Chairman and CEO of the Ashland Institute for Strategic Studies and works closely with various government agencies on a number of classified projects. He is currently working with this office in conjunction with the Institute for Defense Analyses on a series of technology transfer issues.

Everything in this report is based on unclassified sources and was written based on information supplied by this office.

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APPENDIX A

Memorandum of Understanding (MOU) for the Undersecretary of Defense for Acquisitions, Technology and Logistics (AT&L)



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

MAR 25 2004

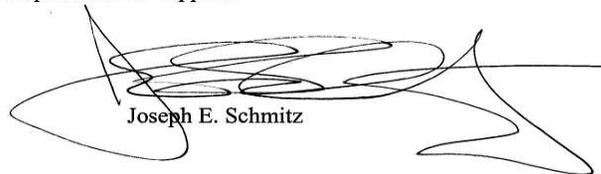
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION,
TECHNOLOGY, AND LOGISTICS)

SUBJECT: Mission Completion for the August 4, 2003, Memorandum of Understanding (MOU) between the Inspector General and the Under Secretary for Acquisition, Technology, & Logistics

Based on our meeting yesterday and our mutual agreement that the mission of our "temporary consolidation" (*i.e.*, the International Armament & Technology Trade (IATT) Directorate) has been successfully completed, I am hereby invoking the "Termination" clause in paragraph I.1 of the subject MOU. As originally envisioned by the MOU, my Office has benefited from the technical advice and expertise that your Office has provided, via the IATT, on matters regarding international technology security, arms transfer, and commercial sales of defense and dual use items.

I would also like to thank Dr. Jack Shaw for his outstanding leadership as Director of the IATT. As a result of his efforts, I am better able to fulfill my concurrent statutory and policy duties under National Security Presidential Directive Nineteen, particularly in the area of "Defense Trade Export Policy and National Security." Please pass on my thanks to Jack for a job well done.

I look forward to continuing our mutual efforts, and my Office stands ready to respond to any specific requests for IG support.


Joseph E. Schmitz

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**ACQUISITION,
TECHNOLOGY
AND LOGISTICS**

OFFICE OF THE UNDER SECRETARY OF DEFENSE

**3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000**

ACTION MEMO

August 1, 2003 5:00 PM

**FOR: ACTING UNDER SECRETARY OF DEFENSE (ACQUISITION,
TECHNOLOGY AND LOGISTICS)**

**FROM: DEPUTY UNDER SECRETARY OF DEFENSE (INTERNATIONAL
TECHNOLOGY SECURITY)** *[Signature]*

SUBJECT: Memorandum of Understanding with Inspector General

- This memorandum transmits to you for signature the Memorandum of Understanding (MOU) between you and the Inspector General, Department of Defense, (IG), pertaining to cooperative efforts between the two offices on export controls and international technology security matters.
- The Inspector General will meet with you at 9:30 AM, Monday, August 4, 2003, for a joint signing ceremony.

RECOMMENDATION: Sign the MOU at **Tab A.**

COORDINATION: OGC (Tab B**)**

**Attachments:
As stated**

Prepared by: Brandt Pasco, (703) 693-0011



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April 18, 2003. (These audits are outside the scope of work for the temporary Directorate, as described in Part II below.)

- D. The Deputy Under Secretary of Defense (International Technology Security) has been tasked by the USD(AT&L) to conduct a review of the transfer of technologies and technological information to countries of concern which is parallel to, although not duplicative of, ongoing efforts by the OIG under the National Defense Authorization Act of 2000 (P.L. 106-65 § 1402(b)(3)).
- E. In October 2002, the President signed National Security Presidential Directive (NSPD) 19, which (in its unclassified parts) establishes DoD as the co-lead agency on the subject of "Defense Trade Export Policy and National Security." While the Under Secretary of Defense for Policy has primary responsibility for implementation of NSPD-19, per Executive Secretary memorandum of October 21, 2002 (Tab B), the OIG and the OUSD(AT&L) have concurrent statutory and policy duties thereunder.
- F. The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) is the principal staff assistant and advisor to the Secretary and Deputy Secretary of Defense for all matters relating to the DoD Acquisition System; research and development; technology; developmental test and evaluation; production; logistics; installation management; military construction; procurement; cooperative research and development; interoperability between U.S. and friendly and allied forces; and nuclear, chemical, and biological matters.
- G. The Deputy Under Secretary of Defense (International Technology Security) (DUSD(ITS)), acts for the USD(AT&L) and, among other duties, "serves as the principal officer and spokesman for [the USD(AT&L)] on all issues and decisions regarding international technology security, arms transfer, commercial sales of defense and dual use items, and all matters bearing upon the transfer or sale of technology to non-U.S. entities, such as international arms cooperation, foreign mergers and acquisitions and foreign military sales" and "serves as the principal advisor and assistant to the USD(AT&L) on all issues bearing on the above areas." The incumbent's Position Description was approved by the USD(AT&L) on August 18, 2001.
- H. In performing his duties under the Inspector General Act, the Inspector General and his Office would benefit from technical advice and expertise that the USD(AT&L) can provide on matters regarding international technology security, arms transfer, commercial sales of defense and dual use items, and all matters bearing upon the transfer or sale of technology to non-US entities, such as international arms cooperation, foreign mergers and acquisitions, and foreign military sales.
- I. The Inspector General recognizes the role of the OUSD(AT&L) in providing advice on technological matters within the DoD and considers it advantageous to draw upon USD(AT&L) expertise to assure the technological integrity of OIG activities in specific areas of interest. The parties to this MOU agree that it is desirable to consolidate OUSD(AT&L) and OIG efforts pertaining to technology transfer to nations of concern

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travel, as needed, the expense for which shall be divided between the parties to this agreement on a case-by-case basis.

- 2. OUSD(AT&L) and OIG staff assigned to the IATT Directorate shall be provided on a temporary and non-reimbursable basis. In addition, parties to this agreement shall fully support the expenses and budgetary requirements of their respective assignees to the Directorate, to include but not be limited to travel and personnel related operational expenses.

D. Directorate Authorities

- 1. The decisions of the Inspector General shall be final with respect to any action or inaction proposed by the Director involving the Inspector General’s statutory duty, as set forth in Section 2 of the Inspector General Act, as amended, *inter alia*, that the Inspector General shall “provide leadership and coordination and recommend policies for activities designed [] to promote economy, efficiency, and effectiveness in the administration of [DoD programs and operations].”
- 2. The Director may recommend to the Inspector General that the IATT Directorate initiate and pursue audits, evaluations, investigations and inquiries related to international technology security, arms transfer, commercial sales of defense and dual use items, and all matters bearing upon the transfer or sale of technology to non-U.S. entities, such as international arms cooperation, foreign mergers and acquisitions, and foreign military sales. However, to ensure compliance with Government Auditing Standards, where necessary and appropriate, all matters which require the specialized expertise of the Deputy Inspector General (Auditing) shall be referred to that office.
- 3. The IATT Director may request the assistance of other employees and contractors of the U.S. Government, industry, and members of the public who are familiar with the technological issues in any particular matter, subject to relevant laws and regulations, and consistent with the terms contained herein.

E. Where the Inspector General determines that the subject matter of an inquiry or investigation is of such a nature that communication of its substance to the USD(AT&L) would impair the OIG’s “independent and objective” function, the Inspector General will so inform the IATT Director after which the Director and staff of the IATT will refrain from any such communication about any such matter with the USD(AT&L) or his staff.

F. During the duration of this MOU, periodic reviews of Directorate activities will be scheduled by the OIG and led by the Inspector General not less frequently than once a quarter. The review agenda will be established by the IATT Director and approved by the Inspector General.

G. Implementing this MOU will involve the support of the Inspector General and USD(AT&L). This mutual support should not be interpreted as either compromising the

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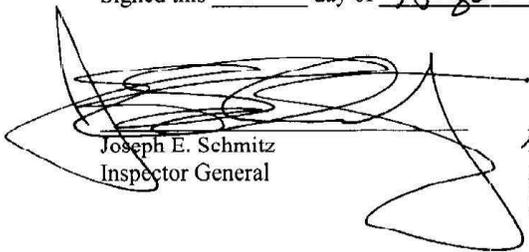
independence of the OIG or as predetermining the results of any audits, evaluations, investigations, or inquiries. It is intended that support from outside the OIG shall be in an advisory capacity, in conformity with the ongoing and permissible practice by the OIG of receiving outside advice and support for its activities, without compromising the integrity of its findings and analysis. All Directorate assignees will, at all times, safeguard the independence principle embodied in the IG Act. Moreover, when any audit conducted hereunder shall involve a specific matter in which an OUSD(AT&L) assignee was substantially involved in another capacity, and where such matter is not transferred to OIG pursuant to this MOU, such assignee shall recuse himself, and his organization shall designate an appropriate substitute representative for the duration of that specific project.

II. Pursuant to the Government Auditing Standards, Amendment No. 3, § 3.30.4, the Inspector General concludes that the Directorate established by this MOU meets all the safeguards listed in paragraph 3.30.3.

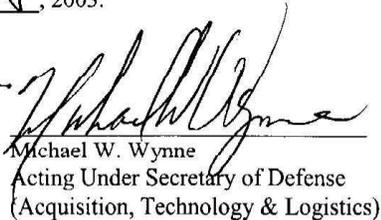
I. Termination.

1. Any party hereto may withdraw from this MOU, effective immediately, upon written notice. The MOU will be terminated on the withdrawal of the Inspector General or the withdrawal of the USD(AT&L).
2. This MOU is expressly intended to be a temporary consolidation. The MOU shall become effective upon the date of signing by the Inspector General and the USD(AT&L) and shall continue until such time as this MOU is modified in writing and signed by all parties hereto, or terminated. On termination, either party is free to resume separate efforts to protect the national security interests of the United States regarding the transfer of technology to nations of concern.

Signed this 4th day of August, 2003.



Joseph E. Schmitz
Inspector General



Michael W. Wynne
Acting Under Secretary of Defense
(Acquisition, Technology & Logistics)

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq

APPENDIX B

Post-War Wireless Communications in Iraq White Paper

**Post-War Wireless Telecommunications in Iraq
White Paper**

June 2003

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq

Executive Summary

Establishing a sound telecoms infrastructure in Iraq is vital to coalition-led reconstruction and redevelopment efforts. A transition to robust telecommunications service will lead to substantial improvements in the well being of the Iraqi people.

Historically, telecommunication infrastructure has been a key catalyst for economic, social and political development. It can do the same in Iraq and for the Iraqi people. Technological developments allow this to be done rapidly and cost effectively with wireless technology, which allows easier, more secure, and faster implementations than traditional copper wire-based systems.

Rapid deployment makes wireless technology well suited for Iraq. It can help advance the strategy of the Coalition Provisional Authority to kick-start a successful reconstruction of Iraq. The proper selection and implementation of the right technology is critical; otherwise, the resulting infrastructure may not fully meet Iraq’s short- or long-term needs. Factors such as time to service, standards, vendor, coverage, tariffs, license award and term, selected operators and stakeholders all need to be considered carefully at the outset to ensure a successful strategy for the long term.

This White Paper outlines a **wireless telecommunication blueprint** for Iraq that addresses the challenging task faced by the Coalition Provisional Authority to implement a strategy that delivers services that are mission-critical to the economic, political and social future of Iraq.

This paper assumes that the Coalition Provisional Authority has a two-year remit to manage wireless telecommunication policy and implementation. It has the task of making short-term decisions needed to establish a strong foundation for long-term development of telecommunications in Iraq. Key measures of success in pursuing the set goal with given resources and minimum risks are:

- Identification of telecommunications requirements and appropriate technological solutions to meet specific needs.
- Selection of proper technology standards for cellular (mobile) and fixed telecoms environments.
- Issuance of initial license(s) in a manner that emphasizes speed of deployment, experience and reliability of licensees and vendors, and needs of the Iraqi people.
- Establishment of a regulatory framework that delivers services to the Iraqi people and provides assurances of continuity in the future transfer of responsibility from the Coalition Provisional Authority to the new Iraqi Government.

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Assumptions

- There will not be an Iraqi Government in place for some time and thus no formal Telecoms Law to govern the initiation of new services.
- The Coalition Provisional Authority will be responsible for initial decisions needed to establish a wireless telecommunications infrastructure in Iraq.
- This White Paper only addresses wireless telecommunications: cellular service keyed to the Global Mobile Systems for Communications (GSM) standard and Fixed Local Wireless service keyed to the Code Division Multiple Access (CDMA) standard.
- Reconstruction and redevelopment carry a number of other urgent needs not addressed in detail in this White Paper. These encompass a range of telecommunications solutions to meet military, public safety, civil administration and other needs.
- The recommendations contained in this paper provide a regulatory blueprint for wireless communications in Iraq over a 15-year time horizon, with special focus on an anticipated two years of initial governance by the Coalition Provisional Authority.
- This initial time frame focuses on a Build-Operate-Transfer License (BOT) Model in Iraq, with national and regional license options that carry no license fees. Future license awards would conform to typical 10- to 15-year durations, subject to specific terms and conditions.
- License Award criteria are set to achieve the best strategic scenario(s) in the interests of reconstruction and the interests of the Iraqi People.
- All commercial transactions will be made in United States Dollar (US\$), pegged to the local currency (Iraqi Dinar)
- The Coalition Provisional Authority will manage the first license award(s). Once a new Iraqi Government is in place, this role would be fulfilled by a Regulatory Authority of Iraq (RAI), created under the Telecoms Law passed by the new Government.

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2.0 Iraq Market Profile

2.1 Present Market Conditions & Telecoms Infrastructure

There is virtually no telecommunications infrastructure base in post-war Iraq to build upon. Iraq has one of the poorest telecommunication systems in the world with a teledensity of only 2.94%. Therefore, Iraq presents a ‘Greenfield’ market, with the opportunity to build a new, leading-edge infrastructure without the challenge of dealing with legacy equipment and backward compatibility issues.

On a more compelling and human note, the Iraqi people – facing untold challenges related to personal security, unemployment, separation from families, and the harsh realities of a post-war environment -- are in desperate need of communications services that can reconnect them with loved ones and enable them to pursue opportunities for economic betterment.

2.2 Required Infrastructure by Technology

With no cellular infrastructure in place today in Iraq, and a limited number of fixed lines, three key market segments are indicated below: users on the move; secure two-way radio solutions; and services to fixed locations.

User Segment	Requirement	Key Technologies
Users on the move and needing to be in touch for security, work, or personal reasons	Availability and access to a voice/data mobile service for business, private, security and economic use.	<ul style="list-style-type: none">• GSM Infrastructure and handsets• MOBILE WIRELESS
Secure 2-way radio solution for Government Agencies & Aid Organizations for secure voice use	Communicate wirelessly using voice and data to coordinate work groups. Public Safety Systems	<ul style="list-style-type: none">• 2 Way encrypted and non-encrypted vehicle/hand-held
Services to a fixed Location -Home and Business users	Availability and access to a voice, data telecom service for business and private use	<ul style="list-style-type: none">• CDMA-Wireless Local Loop (WLL)• FIXED WIRELESS

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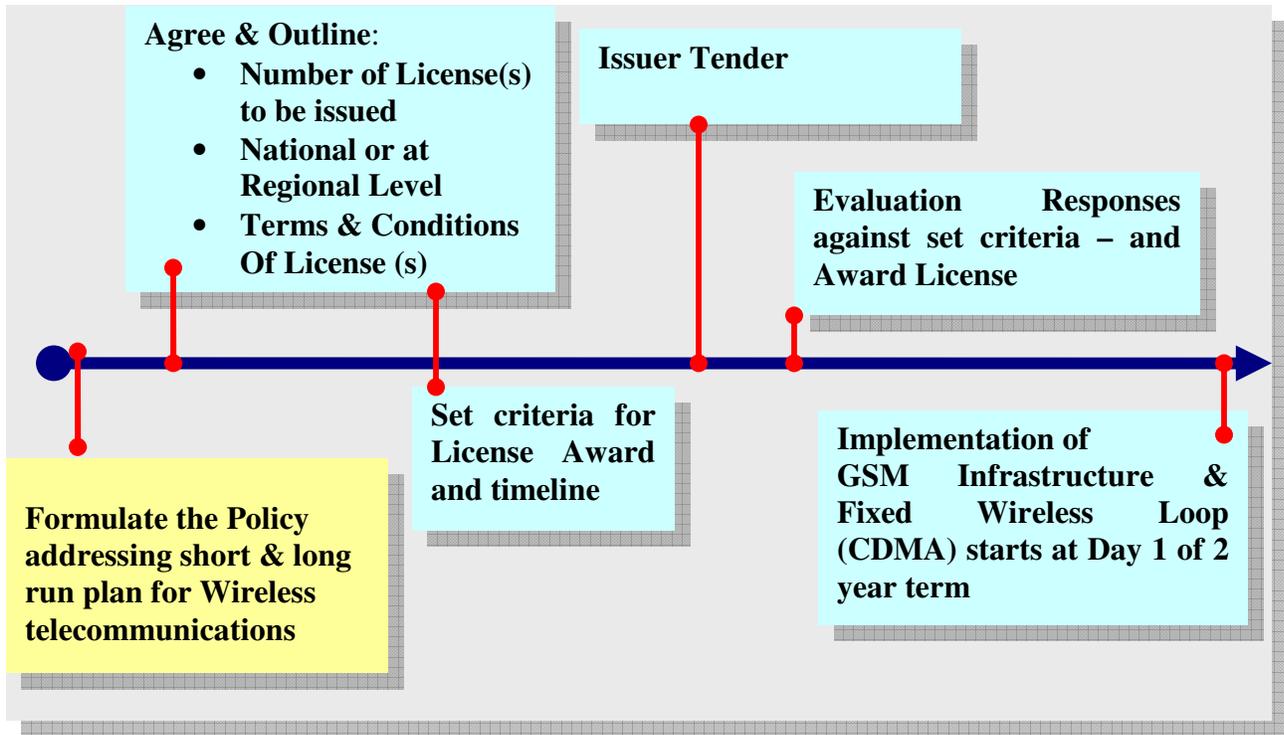
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2.3 Key Challenges to establish a Wireless Infrastructure in Iraq

With the situation in Iraq changing every day and pressing demands on the Coalition Provisional Authority to deliver on its reconstruction commitments, it is critical to establish a strategic process aimed at the timely and effective delivery of wireless telecommunication infrastructure.

- **Strategy** - Outline a Policy for Wireless Telecommunications in Iraq addressing short-term objectives to be pursued by the Coalition Provisional Authority as well as long-term objectives that will be left to a new Iraqi Government.
- **Regulatory Framework** - Position a Regulatory Project Team (RPT) within the Coalitional Provisional Authority to drive and manage the initial licensing process and assure that key deliverables are met. In the long run the RPT will play a role in the transition process of handing over the wireless regulatory policy and infrastructure to a Regulatory Authority of Iraq (RAI) to be created by the new Iraqi Government.
- **Recommended Process for Wireless Telecommunications**



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3.0 Mobile Wireless - Technology Strategy

The future shape of Iraq’s telecommunications sector will be determined by the technologies chosen. The international Global Systems for Mobile Communications (GSM) standard is the logical choice for Iraq’s cellular network. There are numerous reasons for this. First is GSM’s status as the predominant global cellular standard. Other considerations that have special significance for Iraq, include cost, the availability of trained resources and -- most importantly -- international roaming and regional interoperability. GSM is dominant throughout the Middle East – including Iraq’s neighboring countries of Turkey, Jordan, Kuwait and Saudi Arabia. The roaming capability and device interoperability that would result from building a GSM network in Iraq would make a major contribution to its economic and political reintegration – regionally and globally. GSM also is the standard for international travel. Setting any other standard, particularly one limited to the U.S. or countries in other parts of the world, would severely limit international communications out of Iraq. Subscribers to a non-GSM system also would face higher costs due to limited supplies and choice.

3.1 GSM AND CDMA TECHNOLOGY COMPARISONS

GSM has distinct advantages over CDMA in selecting a technology standard for Iraq.

- Roaming in the region (critical for economic development & trade)
- Communications needs of international business, personal, Government users
- Handset availability, compatibility, competition, and low cost in the region
- Large supply of GSM engineers, network operators and support resources in the region.

At the same time, CDMA is ideally suited for fixed wireless communications. As in India and China, this is the preferred solution in many developing markets versus traditional landline service such as India and China. In this regard, CDMA is more cost effective than traditional PSTN landlines and faster to deploy as it wireless. Environmentally both GSM and CDMA are better solutions than traditional landline services as there is no need for extensive civil works and digging of cables. In summary, it is proposed that:

- The cellular technology of choice for Iraq should be GSM, based on Middle East Market Trends and dominance of GSM in the region.
- CDMA Wireless Local Loop (CDMA-WLL) should be deployed to provide fixed wireless solutions in target areas.

3.1.1 Fixed Wireless Loop (CDMA)

CDMA Fixed Wireless Loop (CDMA-WLL) can achieve ‘telecommunication service’ availability in poor communication areas with benefits over traditional wire line systems. These include:

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- Exceptional Voice Quality
- High data speeds
- Faster to deploy
- Lower cost than wireline
- Easy to bypass wireline system
- More secure (no stealing of cables)
- More reliable (not prone to interruption due to construction accidents)
- More environmentally friendly (no need to dig and uproot plants/trees)
- CDMA technology can be used effectively to serve fixed wireless market segments in Iraq. It is recommended that CDMA-WLL be deployed close to or in parallel with the rollout of GSM cellular infrastructure.

3.2 PRESENT CELLULAR TECHNOLOGIES IN THE MIDDLE EAST (ME) REGION

As noted above, GSM (900/1800) is the dominant cellular technology in the Middle East. At least a dozen countries have GSM systems. There are no CDMA cellular commercial systems in the region. The selection of a cellular technology for Iraq or any regional market must carefully consider the requirement for roaming between neighboring countries, local expertise and handset availability. Choosing a CDMA standard for cellular service would isolate Iraq from all European, Middle East, African, Asian and even American GSM roaming customers. This would result in slower take-up of service and frustrate local users and international travelers.

4.0 Issuance of Wireless License/Licenses

Establishing a wireless infrastructure during its tenure will require the Coalition Provisional Authority to develop rules for and manage the issuance of the first Iraqi license(s) for wireless telecommunications service. How this is done and what it achieves will have far-reaching impacts on the social, economic and political development of Iraq and on the perceived success of the Coalition Provision Authority’s post-war efforts. This section examines strategic options to be considered in making a policy decisions on:

- How many licenses to issue
- How to evaluate license applicants
- Scope, terms and conditions of the license(s)
- Duration: Transition from initial two-year time frame to a standard 10- to 15- year license period.

4.1 Strategic Options & Objectives

Establishing a wireless telecommunications infrastructure across Iraq in an operational timeline of 24 months involves decisions on commitments to: Population coverage; access and quality of

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service; knowledge transfer to Iraq nationals; and fair and reasonable tariffs. Measures of success should include:

- Minimum operational and technological risk in the build/operation of the infrastructure.
- Fast time to market - to achieve targets for population coverage
- A flexible and scalable implementation strategy with operational control
- Delivery of consistent level of service across the three regions of Iraq to be credible.
- Commercially attractive to potential bidders to invest in the short-term period of 24 months, with opportunities to participate in the future or fair transfer of assets in terms of value.
- License issuance model that delivers all of the above.

4.2 Wireless Telecommunications under the Coalition Provisional Authority

The Coalition Provisional Authority needs to make a clear strategic decision on the appropriate number of licenses to award. One model is to award a single national license, which would position one operator, one vendor and one solution, and can be referred to as a 1x1x1 Model. An alternative would be the 3x3x3 Model -- license award by region, under which a single operating license would be awarded for each of the Central, Northern and Southern Regions. This ultimately could deliver three different operators, three different vendors and three different solutions.

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License Model – Summary of Benefits/Disadvantages

	<p>Benefits of 1 National License</p> <ul style="list-style-type: none"> •1X1X1 Model with Best in class operator, Solution and Vendor across the 3 Regions. • Minimum technological Risk •Unified Service •Generic Tariff Structure •Service availability as defined by License •Greater Operational Control to manage one Operator <p>Disadvantages</p> <ul style="list-style-type: none"> •Management across the distinct 3 regions •Slow time to Market •Disparate Knowledge share by Region
<p>Benefits of 3 Regional Licenses</p> <ul style="list-style-type: none"> •Fast Time to Market •Region specific solution •Easier to Manage •Facilitate knowledge Share by Regional Cultures. <p>Disadvantages</p> <ul style="list-style-type: none"> •Increased risk with 3x3x3 Model – Potentially have 3 operators, 3 vendors, 3 solutions • Must manage technical interoperability and Tariff commonality issues 	<p align="center">Select the Approach that delivers Optimal Solution for Iraq as a whole:</p> <ul style="list-style-type: none"> ➤ Short-Run (24 months) ➤ Long-Run Market Deregulation

4.2.1 The License Fee

A successful license issuance/award process requires a credible legal and regulatory framework. The goal should be to identify the operator(s) that will best meet the terms and conditions of the license and the requirements of the Iraqi market, as set by the **Regulatory Project Team (RPT)**. Awarding licenses by “auction” to the highest bidder(s) should be avoided, as it would hinder the development of the Iraqi telecoms industry. Creating high market “entrance” costs merely passes those front-end costs on to consumers. Worse yet, perhaps, it diverts financial resources that otherwise could be used to speed network and service rollouts. This is exactly what has happened in Western Europe with 3G license awards. Based on this, it is proposed the no fee is charged for the first short-term license(s)

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4.2.2 Commercial Incentive for Licensee(s)

To attract quality applicants for the first Iraqi license(s), with a proposed duration of only 24 months, it’s critical that the Terms and Conditions offer a longer-term commercial incentive for the potential investors. This incentive can be built in to the framework of the license(s) in the form of:

- **‘A First Refusal’** Clause to the option of a future long-term license(s) award that will have the standard 10 to 15 year term.
- An Option to **‘Match the proposition’** of potential applicants in the future.
- **‘Transfer the infrastructure’** asset to the Government or the potential future licensee(s) at a market price, determined by an agreed to arbitration process.

4.2.3 Hybrid Model for License(s) Award

It is proposed that Coalition Provisional Authority award the license(s) under a hybrid model that is a mix of a **‘Beauty Contest’** and clear compliance to the **‘Evaluation Criteria’** that captures the special requirements of Iraq.

Under the rules of the beauty contest, parties interested in obtaining the license(s) would submit proposals outlining what they would do if successful. This process can be time-consuming and whilst it positions a host of options, the assessment time can delay service offering to the public. In the public interest of Iraq, it is proposed that the Coalition Provisional Authority select the licensee(s) based on the table below:

Beauty Contest	Evaluation Criteria
<ul style="list-style-type: none">• Licensee to propose commercial Launch (Infrastructure Roll-out Plan)	<ul style="list-style-type: none">• This meets the Terms and Conditions set out in the license in terms of Population/Territory by a set date.• Additional criteria as per the terms and conditions of the License i.e. on technology of choice, network provision, service offering, compliance to interoperability.
<ul style="list-style-type: none">• Socio-Economic Initiative that promotes the welfare of Iraqi Nationals in terms of Knowledge Transfer, Job creation, sponsorship of key social projects.	<ul style="list-style-type: none">• Deliver to the remit of delivering to the social, economic and political development of the Iraqi public and country as set by the Interim Governing Authority.

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In summary, the Interim Governing Authority should work towards issuing a License(s):

- That carries no ‘Fee’ for acquisition so eventual licensee(s) are not required to divert financial resources from the critical objective of infrastructure build out.
- Terms and Conditions of the First License(s) are realistic and provide a long-term commercial incentive for the Licensee(s).
- Award is based on the set evaluation criteria i.e. Beauty Contest

4.3 Terms & Conditions of License/Licenses

Below is summary of the proposed Terms & Conditions for the First Iraqi License(s), these are for reference purposes only and need qualification and discussion based on the Policy of the Interim Governing Authority and the License Model selected i.e. 1x1x1 or 3x3x3.

Network & Services	
	<ul style="list-style-type: none"> • Provision of Universal Service (for example, voice telephony services) over an agreed timeline to the set targets of the regulatory body. • Coverage of Service - This target could be set at population coverage of the licensed area at 50% in the first 12 months, 75% in 18 months period, progressing to a target of 95% over a 24-month period. • Provision of Public Call Emergency Service. • Provision of Directory Information Services. • Provision of Operator Services Assistance. • The applicant possesses the technical abilities necessary to render such services. • Relations with the subscribers (agreements, quality of service, billing, disputes, guidelines on service termination etc). • Quality of Service Requirements – clearly outline service availability i.e. 24 hours a day, 7 days a week. Also stipulate the busy hour call completion rate (on average set at 95% averaged over (90)-day period. • Call Setup Success Rate >90% • Handover success rate (statistics) >= 95% • Drop Call Rate <= 2% • TCH RXQUAL for 90% of the area: <=4 (non-hopping nw, drive test based) & <=5 (For networks using SFH, drive test based) • Interruptions to the licensed services. • Tariffs of Licensed Services must be set as per the Regulatory Policy of the Interim Governing Authority in Iraq and any regulation made thereunder. • Provision of Access • Interconnection with other Future Public Telecommunication Operators. • Numbering Strategy and Plan prior to commercial launch date.

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Access & Compliancy Requirements
<ul style="list-style-type: none">• Access to Land and sharing of facilities as per the Iraqi Telecommunication Law.• Radio Communication and Frequency Allocation – use of frequencies and frequency bands will be in accordance with the frequency license as per the Iraqi Telecommunication Law.• Interoperability and Technical Standards – the license shall comply with relevant regulations and technical specifications issued by the Regulator.• Privacy & Confidentiality• Anti-competitive Practices – not abuse its dominant position.• Accounting Requirements – Licensee is to submit accounting information as requested by the Regulator and the Iraqi Telecommunications Law• Requirement to provide information and inspection as per the Iraqi Telecommunication Law• License Fee and Duration of the License Term• Other Obligations must be met as set by the Regulator i.e. Target Commercial Launch date(s), training of Iraqi Staff, Service offering etc.• License Fee and Duration of the License Term

4.4 Proposed Evaluation Criteria

To accomplish the key challenges of delivering cellular network service in post-war Iraq with intensive short-term effort on infrastructure build out and with focus on long-term technological developments, the following criteria are proposed for licensee selection:

Proposed Evaluation Criteria for License(s) Award
<ul style="list-style-type: none">✓ Commitment to the project and serving the interests of Iraq. Applicants meet a threshold of at least 20% Iraqi ownership in their consortia.✓ Strong financial position with a clear investment & financing plan for infrastructure build to meet level and quality of service provision as per the terms of the license.✓ Regional operator with a proven track record in wireless telecommunications, delivering a service to a minimum of one Million subscribers outside its domestic marketplace.✓ Financial flexibility to operate in the Currency of the United States Dollar (US\$), pegged to the local currency (The Iraqi Dinar).✓ Sufficient presence and footprint in the Middle East region, backed by support resources and operational bases.✓ Clear business strategy and plan for Iraqi telecoms – with a progressive plan to implement technological standards in wireless communications. In the short-term to

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- achieve infrastructure build-out.
- ✓ Track record of technological experience and capability in offering high level of service and meeting the terms and conditions set in the license.
 - ✓ Demonstrable commitment to the development of the Iraqi telecoms market and to making available learning, knowledge and growth opportunities for Iraqi nationals with a clear training strategy and policy.
 - ✓ Commercially astute to select and manage vendor under a competitive tendering process to accomplish a successful implementation, achieving a target time to market. Must have a track record of working in partnership with a vendor that has a minimum of eight installed operators in the Middle East Region.

4.5 Vendor Selection

Post war Iraq represents one of the largest and most strategic opportunities that have existed in recent years for the global telecoms industry in rebuilding a major countries infrastructure almost from scratch.

Since the Iraqi telecoms market is so attractive and at a time in the industry when growth has significantly reduced there will be significant interest and political positioning from operators and vendors across the globe to participate in this marketplace.

Much of the success of Iraq’s telecommunication re-construction will critically depend on the capabilities and regional presence of the vendors selected. The following vendor selection criteria are proposed for qualifying vendors that will deliver optimal solutions to the infrastructure drivers in Iraq with minimum risk and strong emphasis on total cost-efficiency.

Key Requirements	Benefits
<ul style="list-style-type: none"> • Leading vendor in cellular telephony with capabilities to position end-to-end solution portfolio 	<ul style="list-style-type: none"> • Will be able to deliver a complete telephony solution from Wireless, Fixed Wireless.
<ul style="list-style-type: none"> • Strong Middle East Regional Presence, with resources in ‘Region’, that are quickly deployable • As a minimum have 8 installed base operators in Middle East and Africa. 	<ul style="list-style-type: none"> • Local knowledge from neighboring markets will drive fast time to market and deliver cost-benefits. • With in-region resources, no additional cost will be incurred; benefits of this will be passed on to the overall project. • Actual installed base of minimum operators

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	will exclude vendors who have no real presence in the region and would like to break-in by gaining entry in Iraq.
<ul style="list-style-type: none"> • Strong local Project Management expertise 	<ul style="list-style-type: none"> • Flexible to meet changing priorities, whilst keeping track of the mission critical project milestones.
<ul style="list-style-type: none"> • Commit a dedicated team based temporarily in the GULF (Qatar, U.A.E, or Northern Kuwait) and permanently in Iraq itself. 	<ul style="list-style-type: none"> • Local team on-call and totally focused on task in hand.
<ul style="list-style-type: none"> • Operate in the ‘Security-Risk’ Post-War environment, with processes and procedures in place to effectively manage the security risk to workforce, product on location and in transit 	<ul style="list-style-type: none"> • Organization fully operates with minimum security risk to its workforce and assets, delivery fast implementation. • Any experience of working with U.S military will further support ‘on field operations’.
<ul style="list-style-type: none"> • Strong skilled base of expertise in Regions, which can facilitate knowledge share to Iraqi workforce. • Offer Localized Training Programs to the selected operator and its Iraqi workforce, with the commitment to share knowledge and proactively support efforts to build Iraqi expertise base. 	<ul style="list-style-type: none"> • Achieve fast time to market and develop expertise of locally identified workforce, to deliver on-going service. • Receptive to Cultural sensitivities and needs.

4.6 Wireless Telecommunication under a Iraqi Government

It is assumed that the rule of the Coalition Provisional Authority will end when an Iraqi Government is installed. To ensure continuity of service and evolution of the wireless infrastructure the following key steps are proposed:

1. The new Government should be encouraged to **consider the issuance of a long-term License(s), on par with the typical period of ten to fifteen years**, under the jurisdiction of a new Regulatory Authority of Iraq (RAI), which the new Government will have to establish.
2. It is proposed that the Regulatory Project Team (RPT) before being disbanded by the Interim Governing Authority works closely with the RAI to **hand-over the ‘status-of play’ in terms of the short-term License(s) services, Spectrum use and management**

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and recommendations on the Regulatory strategy. This will better position the newly created RAI to set to work to deliver its role.

- 3. It is critical for the new RAI to **recognize and deliver on the Terms & Conditions committed to the Licensee(s) in the Short- Term Licenses(s)**i.e. The Commercial Incentive of first refusal etc.
- 4. To safeguard the **Public interest, a feasibility study should be conducted to research the Deregulation roadmap for the Iraqi Wireless Market.** Based on this feasibility study, recommendations should be made on number of Licenses to award and on what basis i.e. Beauty Contest or ‘Acquisition’ Model.

5.0 Fixed Wireless CDMA Strategy

The primary objective of providing fixed wireless communication to the Iraqi people is to provide fixed wireless communication to their homes and businesses. CDMA-WLL enables high-speed data for commercial as well as personal use. CDMA-WLL can allow data transmission speeds of 144 kbits/ second.

Markets that require the rapid provision of low-cost fixed telecoms service, such as India and China, have a stronger preference to CDMA-WLL versus the traditional option of fixed wireline (copper cable). Main factors for choice are cost and speed to implement. CDMA-WLL has a shorter return on investment as an additional benefit to investors and ultimately consumers with substantially lower call rates and increase in services.

There are various standards of CDMA-WLL available, such as CDMA 450, 800, and 1900 MHz. CDMA systems in the 800 MHz band are the most dominant globally and will allow the greatest competition in the long term. User terminals are also most easily available and cost effective in these spectrums. CDMA 800MHz is well suited to Iraqi needs due to its larger propagation providing more effective and efficient coverage.

CDMA-WLL licenses, however, must be restricted in use to fixed wireless communication. It should not compete with the mobile wireless service to ensure its market segment is served adequately. Investors in the mobile wireless license with extensive capital expenditures and resources must be protected to ensure a successful telecoms landscape in Iraq.

Implementing CDMA-WLL in Iraq would be somewhat more difficult than deploying GSM cellular, as it’s necessary to install at individual fixed locations (i.e. homes and offices) across Iraqi. This will be difficult in some regions if there is not equal and regional distribution of licenses to at least three separate areas of the Central, South and North regions. Although it’s important that multiple licenses are issued for CDMA-WLL, it is important to carefully manage them and ensure they comply with the same standard and terminal complications are avoided. License awards should be made by geographic regions as done in many other markets.

6.0 Recommended Regulatory Body for Iraq

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With the future political structure of Iraq still being defined, it is proposed that the Coalition Provisional Authority create a **Regulatory Project Team (RTP)** to oversee the development of telecommunications services for the interim and hand over its role and responsibilities to a future **Regulatory Authority of Iraq (RAI)** that would be created once an Iraqi Government is in place.

In the long run, the RAI should be designed to work toward a liberalized open market based on fair and unrestricted competition, working to protect Iraqi consumer interests by assuring wide access to reliable and high-quality service. It is recommended that the IRA should be an independent entity, with an absolute mandate to regulate all areas of telecommunications, both fixed and cellular.

6.1 Mandate & Strategy

The RAI should have responsibility for setting and implementing policies stemming from those undertaken by the Coalition Provisional Authority and others under guidance of internal subject matter experts from the International Telecommunications Union (ITU).

- The RAI should have complete and undisputed control of the national spectrum and should be the sole body responsible for managing and allocating spectrum.
- The RAI would oversee the transfer to Iraqi responsibility of spectrum managed by the U.S. military (and the Coalition Provisional Authority). The RAI should be encouraged to see that spectrum is clearly allocated between Commercial/Municipality use and Security/Military use.
- Both spectrum categories should be managed by the RAI. A separate, dedicated department within the RAI should manage each portion. Both would report to the head of the Spectrum Management directorate of the RAI.
- The key mission of the RAI’s responsibilities in this area should be to encourage the most efficient use of spectrum to maximize economic development and promoting high usage and service availability.
- The structure and mandate of the RAI should evolve with the phased reconstruction of Iraq’s telecommunication infrastructure. The first phase should focus on issuing the 10-15-year wireless licenses, and providing basic telephony as a basic service.
- After BOT license award(s), the RAI should work toward a fully liberalized market, where the public reaps the benefits of competition on all services in all areas.

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- When the Iraqi Market is ready, the RAI should award a License for National Operator(s). The license issue must be structured to encompass all service offerings and the economic value associated with them.

In the establishment of the Iraqi regulatory body, it is recommended that the following 10 principle guides from the GSM Association are taken into consideration:

1. Regulators should continue to seek a balance between the benefits and costs of intervention, on the one hand, and regulatory forbearance, on the other.
2. Regulation should be based on clearly defined goals and policy objectives and should be kept to those necessary to meet key objectives.
3. Regulators should acknowledge that 'normal' competitive markets reflect a range of operator return and should not intervene in competitive markets where one or more operators' return appears to be above the 'norm'.
4. Regulation should fit (reflect) the market situation and balance the micro and macro views.
5. Regulators should be publicly accountable and act in a transparent way.
6. Governments should adopt licensing practices that encourage new investments in telecommunication infrastructures and facilitate competition within the sector.
7. Spectrum should be allocated on the basis of achieving economically efficient, competitive and structurally desirable outcomes rather than to extract monopoly rents from the industry.
8. The feasibility and commercial desirability of sharing of facilities and infrastructure is a matter, which is operator and market specific.
9. Restrictions on the deployment of mobile networks should be based on science and substantiated studies, and not in response to 'public concern', which is without scientific basis.
10. Adequate consumer safeguard against the inappropriate use of customer data are in place in most countries.

Source: GSM Association

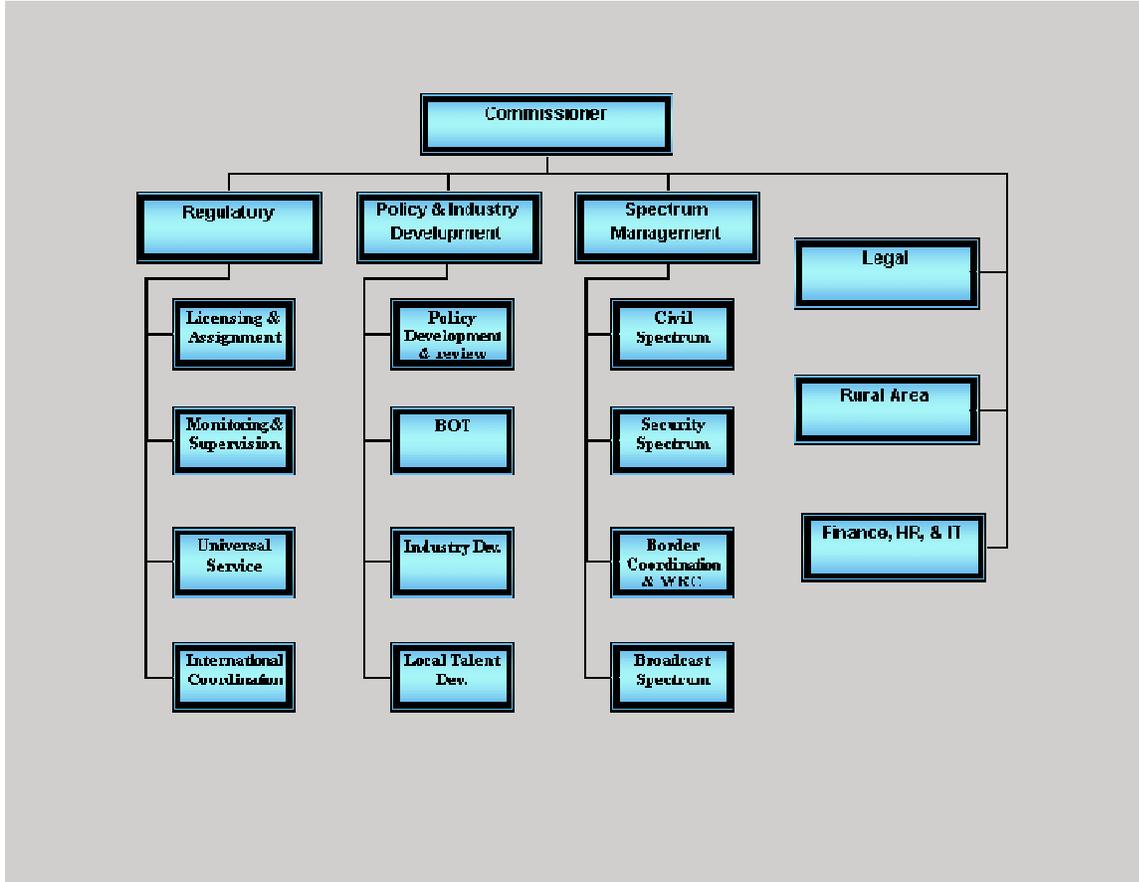
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6.2 IRA Organization Structure

PHASE 1 – Interim Infrastructure/ Creation of IRA

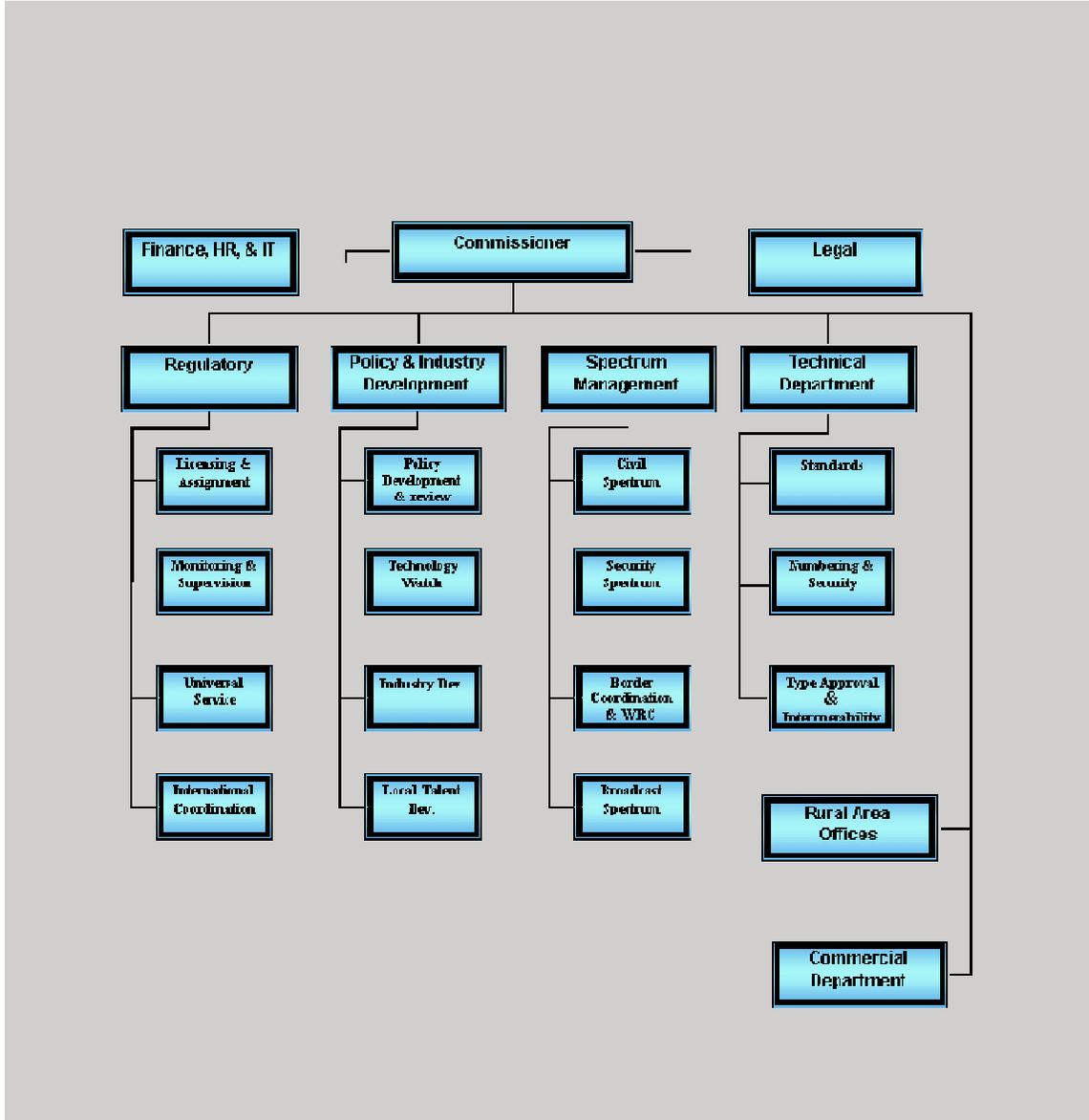


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Phase 2 – IRA Organization at Infrastructure Build -Out Phase



7.0 Spectrum Management & Recommended Spectrum Plan for Iraq

This section outlines recommendations for the **Regulatory Project Team (RPT)** of the Coalition Provisional Authority on spectrum use and management. It also presents thoughts on proposed spectrum management responsibilities of the **Regulatory Authority of Iraq (RAI)** to be created once an Iraqi Government is in place.

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Spectrum should be allocated on the basis of achieving economically efficient, competitive and structurally desirable outcomes rather than to extract monopoly rents from the industry. In principle, Iraqi regulators in the long run may permit secondary trading of spectrum within planned internationally frequency allocations after a thorough consultation process with the industry subject matter experts.

Spectrum is the most essential resource needed for the establishment of a new and robust Iraqi telecommunications infrastructure, and the RAI would be the single authority for spectrum management across all applications: Civil, Military, Broadcast, Aviation, etc. This will ensure that a data base is established, which can be tracked to ensure that all users are using their spectrum allocations efficiently as opposed to overstating of requirements and establishing near monopolies on prime spectrum real estate by powerful users.

7.1 Scope of the Band Plan

It is important at the outset to have the right spectrum plan to ensure Iraqi market needs can be served. The band plan nominally covers the frequency range 20-3100 MHz.

The plan is designed with a time horizon of roughly 8 to 10 years. Nevertheless, it is possible that technological or other developments could necessitate an earlier revision of the band plan. For instance, developments at an ITU World Radio Conference could require the band plan to be changed in certain areas, perhaps even in the near future. In addition, there is the issue of the feasibility of sharing a portion of the band, now exclusively allocated to the broadcasting service, between the broadcasting service and the mobile and fixed wireless access services. The following Scope of Band of Frequency Allocations is in alignment with other regional Middle East markets:

- (a) A total of 2 x 110 MHz of spectrum is recommended to be allocated to the cellular mobile service. Of this 2 x 35 Hz is in the 900 MHz band, at 890-915 / 935-960 MHz and 880-890 / 925-935 MHz. Of the 2 x 110 MHz a total of 2 x 75 MHz of spectrum is allocated to the cellular mobile service in the range 1710-1785 / 1805-1880 MHz. This is the same band as the popular European PCN band. These bands are of use for GSM.
- (b) A total of 120 MHz of spectrum is allocated for the fixed wireless access service, for use by time division duplex (TDD) systems. This spectrum is between 824-845 / 869-890 MHz, 1880 and 2483 MHz. Below 1 GHz, the frequency range considered to be more economical than frequencies higher up; a total of 2 x 10.6 MHz has been allocated, at 335.4-346 / 355.4-366 MHz.
- (c) For the trunked mobile service there is a total of roughly 74 MHz (2 x 37 MHz) of spectrum. Allocations are at VHF (at about 160 MHz), UHF (in the range 407-470 MHz) and UHF (the band pair 876-880 / 921-925 MHz). The spectrum makes provision for a

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range of open air-interface standards, including TETRA, APCO-16 and APCO-25, and iDEN.

- (d) For IMT-2000 there are a total of 170 MHz of spectrum for the terrestrial component and 60 MHz of spectrum for the satellite component.
- (e) For non-trunked mobile dual-frequency use there is about 54 MHz (2 x 27 MHz) of spectrum, of which 2 x 21 MHz is at VHF and below and 2 x 6 MHz is in the 400-450 MHz range.
- (f) For single-frequency mobile use there is a total of about 17 MHz of spectrum, with 13 MHz at VHF and below and about 4 MHz at around 400 MHz.
- (g) For one-way paging there is 1.8 MHz of spectrum, at VHF and UHF. There is no spectrum for two-way paging per se. It is anticipated that GSM networks will provide extensive two-way paging services in future.
- (h) Provision has been made for a shared-channel short-range low-power consumer radio service, by allocating, at 446 MHz, the 100 kHz of spectrum that the popular European PMR446 standard, already implemented by more than 40 countries, requires.
- (i) Provision is made, in line with international practice, for many other services. These include services like aeronautical air traffic control radar, amateur, international distress, maritime mobile, maritime mobile-satellite, meteorological aids, etc.
- (j) The band plan provides a liberal amount of spectrum for defense purposes, not specifically shown. Spectrum for this use may be in the non-allocated ranges, or may be assigned in the regular sub-allocations.

8.0 Recommendations

Given that there is no Iraqi Telecommunication Law or regulatory framework presently in Iraq, the starting point for the Coalition Provisional Authority is to formulate a Wireless Telecommunications Policy to serve as a point of contractual reference for:

- The terms and conditions of the first Iraqi operator license(s) for wireless telecommunications
- The foundations of the regulatory framework and policies that will create an operational foundation for the Iraqi Wireless Telecommunications Market.
- A Progressive Market Model that addresses the short-term two-year requirements and evolves to present market forces and competition and deregulate the market.

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- Technology of Choice and strategic initiatives to accomplish interoperability and achieve new technical standards over time in line with Middle East Market Trends i.e. Adoption of 2.5G and 3G.

With the urgent requirements for telecommunication in Iraq, it is advised that the license award and subsequent vendor selection process be managed using internationally recognized procurement and contractual guidelines. The critical success of building a wireless infrastructure in Iraq will be dependent on the right choice of a qualified consortium as the Operator and more importantly the right vendor, who has the regional experience and presence in terms of available skill base and resources to deliver.

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APPENDIX C

Statement of Objectives for Iraq Mobile License Offer

Issue 1.0

Dated 27 Jul 03

INTRODUCTION

This document states the objectives for the Iraq mobile license offer. Bidders are required as a minimum to meet the general requirements listed herein and this document shall form the basis of the license agreement. Bidders are requested to respond to this Statement of Objective utilising the pre-prepared word and excel file formats provided. This will enable rapid bid assessment and license award.

Annex A to this document defines the terms used though out this offering and bid submissions.

GENERAL INFORMATION

The CPA will award up to 3 licenses, one each for northern, central and southern regions. A breakdown of the regions, showing the governorates that will fall within each, is set out below in table 1 and depicted in figure 1. Licensees, shall commence installation within 20 days of license let.

Figure 1 - Licence Regions

(see map on page that follows)

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Table 1 – Geographic boundaries of each region

Region	Governorates covered	Estimated population of major cities in region
South East	Al Basrah, Al Muthanna, Dhi Qar, Maysan, An Najaf, Babil, Karbala, Wassit, Al Qadisuyah	5.3 million
Central	Baghdad, Diyala,, Al Anbar,	6.9 million
North	Erbil, As Sulaymaniyah, At Ta min, Dahuk, Ninawa Salah ad Din	4.4 million

Each applicant will be required to bid for at least two regions to encourage bidding for each of the regions and a rapid build-out of the main population centres.

Bidders will state their minimum build-out and service levels at 2 months, 6 months, 12 months and 24 months in the region bid for. The extent of the intended coverage area will be a criterion for selection and will become a condition in the licences. Once a licensee has met the 12 month build-out obligations, licenses will be , extended by the Ministry, to become national. This process is expected to lead to 3 competing national mobile networks.

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Licensees will be required to provide full national and international roaming service to their customers through agreements with other Iraqi licensees and with a wide range of operators in trading partner countries.

Annex B defines basic packages for social users and for business users. Bidders will be required to offer this package and to set a maximum price for it in their bid. This price will not increase during the first 12 months from launch of service or until a second operator offers service in its area, whichever is the earlier. This information is required to inform the judgement of best value.

Each license will be for 24 months. This is considerably shorter than is normal for a mobile telecommunications license but reflects the special circumstances in Iraq. It is believed that this period will provide operators with sufficient opportunity to recover their investment while enabling a future Iraqi Authority to take responsibility for key decisions in relation to the long-term development of the sector.

Licences will be issued following an assessment of best value, undertaken by the CPA and based on the proposals received.

To ensure the rapid delivery of a high quality service appropriate to the people of Iraq, the CPA wishes to attract bidders that can demonstrate within their company or consortium current experience of delivering and operating world class mobile networks.

Coalition Military and Iraqi civilian police remain responsible for general security. License holders will be responsible for provision of specific site, facility security and personnel security. Neither the Coalition Provisional Authority nor the Iraqi government shall be liable for damage or loss of the license holder equipment either during shipment or in the final installation site.

COMPANY REQUIREMENTS

Bidders are expected to have experience of operating in the global telecommunications market and have experience in constructing and operating mobile digital networks in multiple countries.

Bidders will submit data as required, in attachment 1, for financial audit and management purposes. No government shall directly or indirectly own more than 5% of any single bidding company or single company in consortia. Bidders will submit a list of five (5) contracts or licences broadly similar to those offered through this process to demonstrate previous experiences. The list should indicate the scope of the contracts or licences. The list will include contact details of the other party to the contract or issuer of the licence.

Bidders will be required to provide country specific or international identification numbers (such as, Dunn and Bradstreet, Tax Identification Number (TIN) etc.). These

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will be used to assist to verify information about the companies or consortia through various data sources.

A licensee may not hold more than 10% interest in another mobile licence in Iraq.

REGULATORY ISSUES

Service to the public: Licensee must provide mobile telecommunications services of its choice to the public and not unreasonably discriminate in doing so.

At the 2, 6, 12 and 24 month points the licensee must file a notification of the extent of its completed network with the Ministry. The notification must include a map of the area where service is available and the service statistics.

Transfer of license: The license may be transferred in whole or in part upon approval of the Ministry. A request for approval will not be considered until the 12 month build target has been met.

MANDATORY TECHNICAL REQUIREMENTS

This section sets forth the technical requirements for use of the spectrum and equipment in the mobile communications services.

Interconnection: The licensee will be provided with reasonable and non-discriminatory interconnection to the public switched telephone network of the ITPC.

The mobile system shall be interconnected with the ITPC and calls will be routed seamlessly between the license network and the ITPC network. In addition, international connectivity must be provided via the ITPC or other licensee provisions.

Users shall be able to make calls to/from the following: ITPC-PSTN, International-PSTN, other Iraqi mobile networks, satellite phone networks.

Spectrum allocations. Licensees will be granted use of frequencies as outlined in Annex C, Spectrum Allocations.

Standards. The licensee must operate its system within the recognized international standards and constraints set forth in the technical standards for the particular technology it deploys.

All switching, network management and control, and network service operations must be conducted from within Iraq and meet international standards consistent with the technical specifications of the system provided.

Distress calls (911, 999, 112 etc) are to be handled by a Licensee provided operator to international standards.

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Mobile system roaming is to be provided between the 3 Iraqi regional license holders and regional international service providers, as noted in paragraph 6.

Maximum power for transmitters is as follows:

Portable: 2 Watts EIRP

Mobile: 20 Watts EIRP

Base stations: 800 Watts EIRP.

Border area coordination: Base stations placed within 60 kilometres of an international border must be coordinated with the foreign government prior to operation per Annex C.

Provision is to be made for automatic power control of mobiles and base stations. In addition, the power criteria may be delineated along with corresponding antenna heights.

Emissions on any frequency outside the licensee’s spectrum must be attenuated below the transmitter power (P) by at least $43 + 10 \log (P)$ dB. If an emission outside the licensee’s spectrum causes harmful interference to other systems within or outside Iraq, greater attenuation may be required.

Transmitters must have sufficient stability to ensure that the fundamental emission stays within the authorized spectrum.

Licensees must certify that all transmitters comply with IEEE C95.1-1991, “IEEE Standards for Safety Levels with Respect to Human Exposure to Radio Frequency Electromagnetic Fields, 3 kHz to 300 GHz” as measured using methods specified in IEEE C95.3-1991, “Recommended Practice for the Measurement of Potentially Hazardous Electromagnetic Fields – RF and Microwave.”

Licensees that own their own antenna structures must not allow these antennas to become hazards to air navigation and must install and maintain all appropriate marking and lighting fixtures.

MOTC DELIVERABLES

Tower and Space Rental. ITPC have deployed a total of approximately 350 cell phone towers across the country. Details can be found on the CPA web site. These towers may be utilised by licensees if the licensee chooses to do so. Rental of space on these towers and in associated buildings will be by commercial agreement with the ITPC.

ITPC Call Tariffs. ITPC will charge mobile operators 80% of the domestic call tariff rates. ITPC call tariff rates are provided on the CPA web site. Bidders are to note that these call tariffs are expected to increase during the license period.

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ITPC Interconnection Tariffs. Digital E1, PCM connection to the ITPC network will be charged at ITPC tariffs rates.

Trunk and Back-Haul. Access to trunk and back-haul capacity will be facilitated but capacity is limited and availability is not guaranteed by the Ministry.

BID SUBMISSION AND ASSESSMENT

General. The following information is available on the CPA web site:

Bid information can be found at <http://cpa-iraq.org> under the business information section.

General information on telecommunications is provided at <http://cpa-iraq.org/ministries/transportation.html> .

A conference for potential bidders will be held in Jordan at the Grand Hyatt Hotel Amman starting at 1000hrs on 31 July 2003. Information provided at the conference may not be available from other sources.

All information provided on the CPA web-site for bidders other than the Statement of Objectives is provided on the basis of best endeavours, and the CPA will not be held accountable for the accuracy or otherwise of that information.

City and Road Definitions. Map files will be available for down load from <http://cpa-iraq.org/ministries/transportation.html> covering each major town and city as identified in Table-1. A notional municipal boundary is indicated on each map. Bidders must indicate their intended percentage geographic coverage of each of these municipalities within their region. Additionally a national map file is provided with an overlay defining major communication routes. Bidders should indicate the extent to which they intend to provide coverage along a 3 kilometre wide corridor centred on those routes within the region.

Procedure. Bids are to be submitted electronically to the cpa_contracting_acti@orha.centcom.mil email address or on CD ROM with an optional hard copy to CPA Contracting Activity Room M210 Republican Presidential Palace Baghdad APO AE 09335. Bids should be marked for the attention of the Mobile Telecommunications KO. Bids must be received by 10.00am (Iraq time) on 14 August 2003. CPA will acknowledge receipt of the bids by email within 24 hrs. Bid submissions will be reviewed by a source selection evaluation board and source selection authority.

Cost Information. All cost information is to be provided in US dollar (US\$) amounts.

Bid submissions. Submissions are to be made on the Bid templates. One word file and one Excel spreadsheet is to be submitted for each region bid for. The word document

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provides sufficient space for qualitative narrative responses. The excel spreadsheet then provides a preformatted set of tables for the capture of quantitative data. Bidders’ email submission should be less than 1 MB in size. If larger than 1MB, recommend contractors submit bids in parts identifying them as such.

Word Document. Total page count per bid is not to exceed 50 pages.

Excel Spread Sheets – are to be completed in accordance with the notes included.

License Fees. A small license fee based on a percentage of revenue may be imposed to fund a regulatory agency. That agency would be tasked with monitoring the build-out and policing the radio spectrum. Bidders should consider such a figure in their bid submissions. Further clarification will be provided by the CPA.

Evaluation. Bids will be evaluated against a prepared scoring matrix. Significant attention will be given to the coverage provided in terms of geography, subscriber numbers supported and speed of delivery of service. Roaming capability and cost of use will also be key criteria.

LEGAL AUTHORITY

The Coalition Provisional Authority is exercising governmental authority in Iraq temporarily until such time as the Iraqi people can establish a permanent government. The Coalition Provisional Authority (CPA), has been recognized by the United Nations as the temporary government in Iraq pursuant to United Nations Security Council Resolution (UNSCR) 1483 (2003). CPA Regulation 1 states that Iraqi law that was in effect as of 16 April 2003 remains in effect unless suspended. CPA Order 11 authorises the Ministry of Transportation and Communications to license and regulate all commercial telecommunications services within Iraq.

CPA has not been enforcing former Iraqi law concerning the foreign ownership registration provisions and the provisions of Iraqi law concerning restrictions on foreign ownership. The CPA is at this time conducting a review to determine what Iraqi laws, if any, should be suspended during the transition time in order to assist the economic recovery of Iraq. It is anticipated that the Administrator of the CPA will, in fact, suspend the operation of certain Iraqi commercial laws pending a more thorough review. However, the exact laws involved have not been determined at this time.

With this background information, firms wishing to submit offers in response to this solicitation should be aware of the following:

The licenses to be awarded under the terms of this solicitation will be issued for a period not to exceed 24 months. This is to facilitate the transfer of authority to a permanent Iraqi government when such government is established.

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At the present time, the restrictions of Iraqi commercial law concerning business activities by non-Iraqi firms, although not formally suspended, are not being enforced. As stated above, it is expected that the CPA will formally suspend certain laws in the near future to aid Iraq’s economic recovery. When that occurs, to the extent practicable, prospective offerors will be notified.

Firms wishing to submit offers in response to this solicitation, and firms, who ultimately receive licenses from the Ministry as a result of this solicitation, are strongly encouraged to keep abreast of the current state of Iraqi commercial law to ensure compliance with local laws, which will be a condition of the licenses to be awarded under this solicitation.

Firms who ultimately receive licenses from the Ministry as a result of the solicitation are reminded that the governmental authority of the CPA and the Ministry expires upon the establishment of a permanent government in Iraq. Although it is likely that the licenses awarded under this solicitation will be continued by the new permanent Iraqi government, neither the CPA nor the Ministry makes any representation that the permanent government will continue the current licenses on the same terms and conditions as the Ministry.

Bid submissions made to this request, once accepted become part of the license and compliance to the submitted bid is contractually one with the license award. If the license holder does not comply with their submissions, the license may be revoked or transferred to a CPA designated holder.

Annexes:

- A. Definitions and Terms.
- B. Subscriber Packages.
- C. Spectrum Allocations.

Attachments:

- 1. Bid Response Template – Word File
- 2. Bid Response Template Northern Region – Excel File
- 3. Bid Response Template Southern Region - Excel File
- 4. Bid Response Template Central Region – Excel File

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Annex A

DEFINITIONS AND TERMS

The following definitions are provided for use in this Statement of Objectives and in all Bid documentation:

- 1) **Antenna Structure:** A structure comprising an antenna, the tower or other structure that exists solely to support antennas, and any surmounting appurtenances (attachments such as beacons or lightning rods).
- 2) **Antenna:** A device that converts radio frequency electrical energy to radiated electromagnetic energy and vice versa; in a transmitting station, the device from which radio waves are emitted.
- 3) **Authorized Bandwidth:** The necessary or occupied bandwidth of an emission, whichever is more.
- 4) **Authorized Spectrum:** The spectral width of that portion of the electromagnetic spectrum within which the emission power of the authorized transmitter(s) must be contained, in accordance with the rules prescribed by the Ministry. The authorized spectrum comprises one channel bandwidth or the bandwidths of two or more contiguous channels.
- 5) **Available Service:** Service is deemed “available” in areas where two-way, mobile voice service may be obtained with a blocked call rate and dropped call rate of 5% or less for both.
- 6) **Base Transmitter:** A stationary transmitter that provides radio telecommunications service to mobile and/or fixed receivers, including those associated with mobile stations.
- 7) **Blanketing Interference:** Disturbance in consumer receivers located in the immediate vicinity of a transmitter, caused by currents directly induced into the consumer receiver’s circuitry by the relatively high field strength of the transmitter.
- 8) **Blocked Call Rate.** The percentage of calls between 2 locations on the network which result in none-connection. Engaged distant subscribers do not count towards the blocked call rate. Failures on the PSTN do not count towards this calculation. This is to be calculated during the busy hour and averaged over a 5 minute period of worst performance for all coverage areas of 10 Km.
- 9) **Build-out:** The projected coverage and service levels at discrete time points.
- 10) **Period:** A period during which the licensee of the first cellular system authorized on each channel block in each cellular market may expand the system within that market.
- 11) **Build-out Transmitters:** Transmitters added to the first cellular system authorized on a channel block in a cellular market during the build-out period in order to expand the coverage of the system within the market.
- 12) **Cardinal Radials:** Eight imaginary straight lines extending radially on the ground from an antenna location in the following azimuths with respect to true North: 0°, 45°, 90°, 135°, 180°, 225°, 270°, 315°.
- 13) **Carrier Frequency:** The frequency of the unmodulated electrical wave at the output of an amplitude modulated (AM), frequency modulated (FM), or phase modulated (PM) transmitter.
- 14) **Cell:** The service area of an individual transmitter location in a cellular system.

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- 15) **Cellular Geographic Service Area:** The geographic area served by a cellular system, within which that system is entitled to protection and adverse affects are recognized.
- 16) **Cellular Markets:** Standard geographic areas used by the Ministry for administrative convenience in the licensing of cellular systems.
- 17) **Cellular Radiotelephone Service:** A radio service in which common carriers are authorized to offer and provide cellular service for hire to the general public.
- 18) **Cellular Repeater:** In the Cellular Radiotelephone Service, a stationary transmitter or device that automatically re-radiates the transmissions of base transmitters at a particular cell site and mobile stations communicating with those base transmitters, with or without channel translation.
- 19) **Cellular Service:** Radio telecommunication services provided using a cellular system.
- 20) **Cellular System:** An automated high-capacity system of one or more multi-channel base stations designed to provide radio telecommunication services to mobile stations over a wide area in the a spectrally efficient manner. Cellular systems employ techniques such as low transmitting power and automatic hand-off between base stations of communications in progress to enable channels to be reused at relatively short distances. Cellular systems may also employ digital techniques such as voice encoding and decoding, data compression, error corrections, and time and code division multiple access in order to increase system capacity.
- 21) **Centre Frequency:** The frequency of the middle of the bandwidth of a channel.
- 22) **CGSA:** Cellular Geographic Service Area.
- 23) **Channel:** The portion of the electromagnetic spectrum assigned by the Ministry for one emission.
- 24) **Channel Bandwidth:** The spectral width of a channel, as specified in this part, within which 99% of the emission power must be contained.
- 25) **Channel Block:** A group of channels that are assigned together, not individually.
- 26) **Channel Pair:** Two channels that are assigned together, not individually.
- 27) **Communications channel:** A channel used to carry subscriber communications.
- 28) **Construction Period:** The period between the date of grant of an authorization and the date of required commencement of service.
- 29) **Control Channel:** A channel used to transmit information necessary to establish or maintain communications.
- 30) **Dead Spots:** Small areas within a service area where the field strength is lower than the minimum level for reliable service. Service within dead spots is presumed.
- 31) **Effective Radiated Power (ERP):** The effective radiated power of a transmitter (with antenna, transmission line, duplexers, etc) is the power that would be necessary at the input terminals of a reference half-wave dipole antenna in order to produce the same maximum field intensity. ERP is usually calculated by multiplying the measured transmitter output power by the specified antenna system gain, relative to a half-wave dipole, in the direction of interest.
- 32) **Emission:** The electromagnetic energy radiated from an antenna.
- 33) **Emission Designator:** An internationally accepted symbol for describing an emission in terms of its bandwidth and the characteristics of its modulation, if any.

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- 34) **Emission Mask:** The design limits imposed, as a condition of certification, on the mean power of emissions as a function of frequency both within the authorized bandwidth and in the adjacent spectrum.
- 35) **Equivalent Isotropically Radiated Power (EIRP):** The equivalent isotropically radiated power of a transmitter (with antenna, transmission line, duplexers, etc.) is the power that would be necessary at the input terminals of a reference isotropic radiator in order to produce the same maximum field intensity. An isotropic radiator is a theoretical lossless point source of radiation with unity gain in all directions. EIRP is usually calculated by multiplying the measured transmitter output power by the specified antenna system gain, relative to an isotropic radiator, in the direction of interest.
- 36) **Extension.** An area within the service area boundary of a cellular system, but outside of the market boundary.
- 37) **Fill-in Transmitters:** Transmitters added to a station, in the same area and transmitting on the same channel or channel block as previously authorized transmitters, that do not expand the existing service area, but are established for the purpose of improving reception in dead spots.
- 38) **Fixed Transmitters:** A stationary transmitter that communicates with other stationary transmitters.
- 39) **Frequency:** The number of cycles occurring per second of an electrical or electromagnetic wave; a number representing a specific point in the electromagnetic spectrum.
- 40) **Height Above Average Terrain (HAAT):** The height of an antenna above the average elevation of the surrounding area.
- 41) **Iraqi Telephone and Post Company (IPTC).** The state owned telephone provider and sole PSTN operator in Iraq.
- 42) **In-building Radiation Systems:** Supplementary systems comprising low-power transmitters, receivers, indoor antennas, and/or leaky coaxial cable radiators, designed to improve service reliability inside buildings or structures within the service areas of stations in the Public Mobile Services.
- 43) **Initial Cellular Applications.** Applications for authority to construct and operate a new cellular system, excluding applications for interim operating authority.
- 44) **Interfering Contour.** The locus of points surrounding a transmitter where the predicted median field strength of the signal from that transmitter is the maximum field strength that is not considered to cause interference at the service contour of another transmitter.
- 45) **Licensee.** The company or consortia holding the authorization to operate telecommunication services issued by the Ministry.
- 46) **Ministry.** The Ministry of Transport and Communications.
- 47) **Mobile Station:** One or more transmitters that are capable of operation while in motion.
- 48) **Necessary Bandwidth:** The calculated spectral width of an emission. The bandwidth so calculated is considered to be the minimum necessary to convey information at the desired rate with the desired accuracy.
- 49) **Occupied Bandwidth:** The measured spectral width of an emission. The measurement determines occupied bandwidth as the difference between upper and lower frequencies where

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0.5% of the emission power is above the upper frequency and 0.5% of the emission power is below the lower frequency.

- 50) **Partitioned Cellular Market:** A cellular market with two or more authorized cellular systems on the same channel block during the build-out period, as a result of settlements during initial licensing or contract(s) between the licensee of the first cellular system and the licensee(s) of the subsequent systems.
- 51) **Public Switched Telephone Network (PSTN).** The fixed public network(s).
- 52) **Radio Common Carrier:** A telecommunications common carrier that provides radio communications services but is not engaged in the business of providing landline local exchange telephone service.
- 53) **Radio Telecommunications Services:** Communication services provided by the use of radio, including radiotelephone, radiotelegraph, paging, and facsimile service.
- 54) **Radiotelephone Service:** Transmission of messages from one place to another by means of radio.
- 55) **Repeater:** A fixed transmitter that retransmits the signals of other stations.
- 56) **Roamer:** A mobile station receiving service from a station or system other than one to which it is a subscriber.
- 57) **Service Area:** The geographic area considered by the Ministry to be reliably served by a station.
- 58) **Service Contour:** The locus of points surrounding a transmitter where the predicted median field strength of the signal from that transmitter is the minimum field strength that is considered sufficient to provide reliable service to mobile stations.
- 59) **Service to Subscribers:** Service to at least one subscriber that is not affiliated with, controlled by, or related to the providing carrier.
- 60) **Signal Booster:** A stationary device that automatically reradiates signals from base transmitters without channel translation, for the purpose of improving the reliability of existing service by increasing the signal strength in dead spots.
- 61) **Station:** A station equipped to engage in radio communication or radio transmission of energy.
- 62) **System Availability:** The availability of subscriber services measured over a 30 day time period.
- 63) **Telecommunications Common Carrier:** An individual, partnership, association, joint-stock company, trust, or corporation engaged in rendering radio telecommunications services to the general public for hire.
- 64) **Unserviced Areas:** A geographic area that is not within the CGSA of any cellular system authorized to transmit on that channel block.

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Annex B

SUBSCRIBER PACKAGES

Bidders should provide the costs of a basic package for business and social users that they will guarantee to offer throughout the period before competition is established. This should include:

Social

An entry level handset capable of roaming throughout the country

Connection, line rental and other recurring and non-recurring costs

200 minutes per month of use at any time to mobile or fixed users throughout Iraq

Business

As for Social, but:

300 minutes per month to mobile or fixed users throughout Iraq

100 minutes per month to neighbouring countries

A bidder proposing the use of CDMA technology shall provide two sets of costings

Assuming CDMA in all three regions

Assuming a mix of GSM and CDMA

A bidder proposing the use of GSM technology shall provide two sets of costings

Assuming GSM in all three regions

Assuming a mix of GSM and CDMA

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Annex C

SPECTRUM ALLOCATIONS

The spectrum offering is for operation in 2 groups of frequency blocks. One block of frequencies will be allocated to each licensee for use within the applicable region.

Group 1 includes 3 frequency bands split into 3 regions as follows:

Table C-1 Group 1 Frequencies

Region	Up Lower (MHz)	Link Upper (MHz)	Up Lower (MHz)	Link Upper (MHz)	Down Lower (MHz)	Link Upper (MHz)	Down Lower (MHz)	Link Upper (MHz)
South (Block A)	880.1	891.5	891.5	903.3	925.1	936.6	936.6	948.2
Central/Baghdad (Block B)	891.5	903.3	903.3	914.9	948.3	959.8	959.8	
North (Block C)	903.3	914.9	914.9	1721.6	1805.2	1816.6	1816.6	
North Contingency (Block D)	1710.2	1721.6	1721.6					

Block D will be held in reserve and allocated by the Ministry should insufficient spectrum become available within block C. This will be resolved once the spectrum utilisation of existing operators in Dohuk, Erbil and Sulymania is resolved.

Group 2 provides an additional 2 blocks. This is offered to enable the rapid deployment of systems should a licensee be unable to deploy equipment capable of operating in the Group 1 frequencies. Applicants will be expected to justify use of these additional blocks in their bid submission.

Table C-2 Group 2 Frequencies

Region	Up Lower (MHz)	Link Upper (MHz)	Up Lower (MHz)	Link Upper (MHz)	Down Lower (MHz)	Link Upper (MHz)	Down Lower (MHz)	Link Upper (MHz)
Block E	825.0	835.0	835.0	845.0	870.0	880.0	880.0	890.0
Block F	835.0	845.0	845.0		880.0		890.0	

Due to pre-existing frequency situation in Iraq which is part of ITU-Region 1 utilisation of Group 2 frequencies places additional constraints on licences as defined in Appendix 1 to this Annex.

Deconfliction of frequencies in block F and A will be subject to bid submissions and the spectral requirements of licencees as stipulated in bid submissions. Combinations of technologies will be addressed in the license awards. Furthermore, the Group 2 frequency range will be reassessed during the bid selection process.

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License holders may choose to deploy systems and services of their own choice without regard to any predetermined technical specification for the licensed band. Appropriate interference protection criteria are provided below. These are to be implemented at international and regional boundaries.

Frequencies at international borders are normally ‘deconflicted’ via co-ordination through Memoranda of Understandings with neighbouring administrations. Bidders are to recognise that such de-confliction has not at this stage taken place.

At borders standard agreements such as the following will be followed. Preferential frequencies or preferential frequency bands shall be agreed between Administrations concerned. Preferential frequencies may be used without co-ordination with a neighbouring country if the field strength of each carrier produced by the base station does not exceed a value of 19 dB μ V/m for digital systems and 19 dB μ V/m for analogue systems at a height of 3 m above ground at a distance of 15 km inside the neighbouring country or region. When blocks of preferential frequencies are allocated to different countries or regions in border areas one RF channel in each end of the blocks shall be treated as non-preferential frequencies, in order to take account of adjacent channel interference. All other frequencies are subject to co-ordination between Administrations if the interfering field strength produced by the base station exceeds 19 dB μ V/m at a height of 3 m above ground at the border line between two countries.

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Appendix 1

To Annex C

RULES FOR UTILISATION OF BLOCK E AND F

Blocks E and F currently contain a small number of Military and Civil users. The status of spectrum allocation within Iraq inside block E and F is being determined at this time. The licensee will be expected to perform a complete spectrum survey prior to commencement of operations. This survey is to be made available to the authority.

The CPA’s intention is to relocate all military users to alternative spectrum locations.

A licensee using Blocks E and F will be expected to operate on a none interference basis with civil users.

ITU Frequency allocation tables for Region 1 including Iraq do not allocate mobile services to the frequency range 862 MHz to 470 MHz. Additionally there are no footnotes listing Iraq that would allow mobile use. As such any licensee choosing to utilize Blocks E and F defined above are to abide by Article 4.4 of the ITU - Radio Regulations. In effect they would be a secondary user of the spectrum.

Article 4.4 only allows use only on a non-protected non-interference basis.

The bidder or licensee would assume full responsibility for ensuring its system did not interfere with neighboring countries and would have no recourse should its system experience interference from neighboring countries.

Bidders are to be aware that neighboring countries do have UHF TV assignments. Iran and Jordan indicate that TV channels 65-68 822-863 MHz are currently allocated. The status of these allocations is unknown at this time.

The bidder may request use of either Block E or F; however allocation will be at the sole discretion of the CPA and dependant on the spectral requirements across the country of Iraq.

APPENDIX D

GSM vs. CDMA Debate

When comparing these two technologies, the technical and business issues facing the military are found to be very similar to those facing any large government agency or country. One of the largest issues to consider is that of next generation technology. CDMA and GSM technologies

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are now entering a third major advancement in standards and implementation called third generation (3G). 3G builds upon previous generations and makes significant leaps in capability.

3G entirely changes the wireless landscape and is a fundamental aspect of the CDMA versus GSM debate. International consolidation on a singular version of the 3G GSM standard has not materialized as expected. Instead, third generation GSM technology has had to reinvent itself to compete with the performance of third generation CDMA. Traditional GSM technology is not fast enough to support high speed data and other advanced services. This has resulted in a new set of GSM standards incompatible with the currently used GSM. This new 3G GSM standard is called UMTS (Universal Mobile Telephone Service) or WCDMA (Wide Band CDMA).

Unlike 3G CDMA's upgrade path from IS-95A, 3G GSM (UMTS) require new equipment, spectrum, and handsets. CDMA, on the other hand, has proven flexible enough that it provides a relatively painless upgrade path. 3G CDMA services reuse the same spectrum allocations and existing cell site equipment with only a mild upgrade, allow the use of secure voice calls up to NSA Type 1 (not available for GSM/UMTS), and are fully backwards compatible with old CDMA handsets. 3G CDMA allows the use of GPS technology to track where any handset user is—another feature not available with GSM technology and very useful for military and public safety use. An attempt at increased standardization between the two systems, coordinated by the ITU (International Telecommunications Union), has effectively made 3G CDMA a viable alternative 3G upgrade path for existing GSM operators should they choose to implement it, although this alone does not guarantee compatibility between these different technologies.

The following bullets summarize key comparison points.

- CDMA offers security advantages in terms of eavesdropping and jamming immunity over GSM networks due to its spread spectrum nature.
- Because of the move to the incompatible UMTS, GSM is now largely a dead-end technology and third generation GSM standards essentially discard the existing GSM spectrum and infrastructure. In contrast, 3G CDMA technologies reuse most of the second generation while gaining significant performance.
- In addition to the exorbitant implementation expense for 3G GSM, the requirement for new spectrum allocations and the inability to extend the existing GSM architecture has risked serious erosion to the traditional advantage of the GSM system: international uniformity and roaming. An additional threat to 3G GSM uniformity and universal roaming capability is that China, the world's largest cell phone market representing 280 million users and over 20% of the worldwide GSM user base, is deploying 3G CDMA technology while at the same time examining an alternative technology based on CDMA known as TD-SCDMA (with developmental help from Siemens).
- In contrast to 3G GSM, implementation of 3G service for CDMA networks (CDMA2000) is a more graceful evolution that maintains backwards 2G compatibility,

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reuses almost all existing base station equipment, and is dramatically less expensive than the GSM/UMTS deployment.

- In implementing third generation service, the GSM community has had to entirely abandon the older GSM radio link technology. This forces most of the base station equipment to be discarded and requires operators to license entirely new frequency spectra at a very high cost to deploy and operate over the old GSM infrastructure.
- For deployment of new 2G networks in developing countries, CDMA has an enormous advantage in that it can be directly upgraded to 3G services, whereas the GSM upgrade path requires a new spectrum and considerable new infrastructure.
- Because of the obvious advantages of CDMA, certain aspects of the CDMA technology have been licensed by the GSM community; however, the entire standard has not been brought over and underlying legacy technology issues which still hamper GSM have been retained, making it incompatible with CDMA.
- CDMA2000 can be used in conjunction with existing GSM networks to provide 3G services. The use of CDMA2000 instead of the UMTS has no substantial drawbacks, and provides superior spectrum efficiency and other benefits.
- CDMA was developed in the U.S. by a U.S. company, and the U.S. market and regulatory bodies can have a far greater direct influence on how CDMA develops than the European-oriented GSM/UMTS standard bodies.

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APPENDIX E

Email Correspondence & Memorandum from Inspector General

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

From: Shaw, John, Dr, OSD-ATL

Sent: Thursday, October 23, 2003 4:53 PM

To: Schmitz, Joseph E., OIG DoD

Subject: Iraq

Joe-Have been alerted to serious problems arising from the cellular phone contracting process run by CPA Baghdad that are definitely IG material if you are still playing that role in Iraq. (Common thread of the three winners is financing by one and perhaps two of Saddam's long time international bagmen---all said to be about to break in the next few days). Occurred to me that my established on the ground investigative capabilities in conjunction with DTRA and Customs, and such authority as you give to our efforts in Iraq, could also be applied to this problem on a real time basis. If your Admiral/deputy has come back without a replacement I could be your CPA guy---as long as I don't have to spend full time out there! Let's talk tomorrow after the meeting. Thanks. JACK

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**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE**
DEFENSE CRIMINAL INVESTIGATIVE SERVICE
BAGHDAD OFFICE
COALITION PROVISIONAL AUTHORITY
APO AE 09335

200400443I-16-DEC-2003-60DC-A2/R (IR)

December 16, 2003

DEPARTMENT OF DEFENSE, COALITION PROVISIONAL AUTHORITY
Baghdad, Iraq; Iraq Mobile Telecommunications License Agreement

INFORMATION REPORT/REFERRED: On November 12, 2003, the Defense Criminal Investigative Service (DCIS) Mid-Atlantic Field Office (MAFO) received an electronic mail (e-mail) message originating from Declan Ganley (Ganley) and dated November 11, 2003 (Attachment 1). In the e-mail, Ganley alleged possible improprieties/irregularities in the awarding of mobile phone/telecommunication licenses by the Coalition Provisional Authority (CPA) in Iraq and potentially involving two alleged CPA officials, David Leech (Leech) and Alan "Jim" Davies (Davies).

The DCIS is providing continuing investigative assistance to the CPA, which is responsible, in coordination with the U.S. Central Command, for exercising the powers of government, to include executive, legislative, and judicial authority, during the reconstruction of Iraq.

On November 13, 2003, the Reporting Agent (RA) received a MAFO request to initiate a preliminary inquiry into Ganley's allegations. At that time, it was learned that during the last several weeks, several media outlets reported that two "CPA officials" allegedly received some type of illegal compensation for presumably influencing the outcome of the selection and award process for the licensing agreements.

As background, the CPA is the interim governing body of post-war Iraq. As part of the CPA's efforts to rebuild Iraq and establish previously non-existent critical infrastructure (i.e., mobile telecommunications capabilities), the CPA announced a competition in July 2003 to solicit bidders to submit proposals for mobile telecommunication service throughout Iraq. The CPA assisted the Iraqi Ministry of Communications in establishing a transparent and fair competition and selection process through a formal source selection evaluation board (SSEB) to determine the best value to Iraq, based on the proposals. The licensing agreement was not a U.S. Government contract or procurement action of any type, although the SSEB used Federal Acquisition Regulation (FAR) based procedures as a template for the process. No U.S. Government funds were, or will be, expended as part of the licensing agreement. The commercial license agreement is between the consortium that was awarded the license, and the Iraqi Ministry of Communications.

During the proposal phase of the process to establish the qualifying criteria, the Iraqi Ministry of Communications evaluated the currently available mobile telephone technologies. They decided that the Global System for Mobile (GSM) type of technology was more

TAB C

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appropriate for Iraq than the Code Division Multiple Access (CDMA) type of technology. GSM is the dominant technology in Europe, Asia, and the Middle East, whereas CDMA is the dominant technology in the United States. Presently, the two types of mobile telecommunication systems are not compatible. Although CDMA-based companies were not precluded from submitting proposals, only GSM-based companies were deemed to be fully qualified. Consequently, most U.S. based and other Western telecommunications companies were eliminated from the competition. The final decision to approve the recommendations of the technical evaluation board and the SSEB rested with the Iraqi Minister of Communications. On October 6, 2003, Haidar al-Ebadi, the Iraqi Minister of Communications, announced that Iraq had awarded three, two-year GSM network licenses. One licensing agreement was awarded for each of Iraq's three regional areas (Central Baghdad, Northern Iraq, and Southern Iraq). The three licenses were awarded to three Middle East consortia: Orascom Telecommunications (Egypt), Asia-Cell (Kuwait), and Atheer (Kuwait).

On November 13, 2003, Special Agent (SA) Lorenzo Harrison (Harrison), DCIS, MAFO, telephonically interviewed Ganley (Attachment 2), who was further identified as the Chairman and Chief Executive Officer of the Ganley Group (GG), located in Galway, Ireland. GG is an investment holding and business development company that participated in the competition to seek one of Iraq's mobile telecommunication licensing agreements. Ganley related that two of his employees, Imad Al-Jamil and Adnan Al-Saadi, reported these allegations to him after they spoke to an employee (NFI) of Kuwait's Wataniya Telecom, one of the three companies that won the competition to participate in the consortium. Ganley apparently did not have any direct knowledge of the allegations other than what his two employees told him, but indicated that he would provide additional and more specific information to SA Harrison by November 21, 2003.

GG was not successful in their proposal or bid, as they were not one of the three companies that ultimately won the much sought after licenses. GG, by their own admission, could only offer CDMA technology, but claimed that they could provide dual-mode capable handsets that could operate on both GSM and CDMA systems. Technical evaluators from Iraq, Great Britain, and the U.S. concluded that this was not technically possible at this time. Each of the three consortia that won the licensing agreement will potentially receive profits worth several hundred million dollars, once the mobile telecom infrastructure is in place.

Based on further investigation, the following items were clarified:

1. The mobile phone licensing agreement is not a contract. It is also not a traditional procurement action of any type. It is a commercial licensing agreement between a consortium of three mobile phone service providers and the Iraqi Ministry of Communications.

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2. The US Government (DoD, CPA) has not, and will not, expend any funds as a result of this action. There is no potential financial loss to the US Government.
3. The licensing agreement requires the members of the consortium to pay \$5 million in fees to the Iraqi Ministry of Communications, for permission to build and operate mobile phone capabilities for the next two years.
4. CPA's only role in the licensing agreement was to provide technical advice on how to conduct a source selection process in order to adequately vet the qualified bidders. The source selection evaluation board (SSEB) consisted of 14 evaluators and advisors, who represented U.S., British, and Iraq interests. All members of the board had equal weight in their input. Half of the board members were Iraqi.
5. The ultimate decision authority for approving the recommendations of the board rested with the Iraqi Minister of Communications.
6. The two primary CPA "suspects" in the allegation, Leech and Davies, are not U.S. citizens, but they are/were assigned to the CPA Ministry of Communications as Coalition members.
7. Leech, who is an active duty British military officer (O-6) (and British citizen), was assigned as an advisor to CPA until sometime in July 2003, when he returned to the UK. As far as we know, Leech is presently in London, where he is assigned.
8. Davies, a British citizen, is currently assigned to the CPA Ministry of Communications as an advisor. His tour in Baghdad is scheduled to end in early December 2003.
9. The three mobile phone companies which make up the consortium that won the awarded licensing agreement are third country entities (1 Egyptian and 2 Kuwaiti).
10. The three winning consortia that will make up the mobile telecommunications service providers in Iraq were required to collectively pay a \$5 million fee to Iraq as part of the licensing agreement. All additional costs associated with building the network infrastructure are to be borne by members of the consortia. The \$5 million fee was paid to Iraq through the CPA Ministry of Finance to the Ministry of Communications.
11. The \$5 million "bribe" allegedly paid to Davies and Leech may, in fact, be the legitimate \$5 million licensing fee that was required to be paid by the Iraqi Ministry of Communications.

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12. Presently, all financial transactions in Iraq are conducted in cash, regardless of the amount. There are no capabilities for checks, wire transfers, or other electronic means.

On November 24, 2003, the RA coordinated with Edwin Scott Castle (Castle), General Counsel, CPA, regarding the facts determined from this preliminary inquiry. Castle opined that, based on the status of the alleged suspects, who are either citizens of the United Kingdom (UK) or Kuwaiti citizens (or possibly other non-US citizens), and the probable location of the crime, if it occurred, law enforcement and judicial authorities from the UK, Kuwait, and/or Iraq would have primary jurisdiction over the investigation and prosecution, if any. Castle advised that the allegations involving the British citizens should be referred to the British Ministry of Defense (MOD), in accordance with CPA Order #17, regarding the status of Coalition personnel.

On December 16, 2003, SA Harrison spoke with Ganley, who provided no additional relevant information. Should further information be developed or received, a supplemental report will be provided.

Queries of the National Crime Information Center, the Defense Employee Identification Data System, Autotrack, and the DCIS Investigative Data System are either not applicable or returned no result.

Based on the above information, this matter is being referred to the British MOD, via the DCIS Wiesbaden (Germany) Post of Duty, for informational purposes and action as deemed appropriate.

Should additional information be required, the RA can be contacted at phone number (781) 280-5954, cellular phone number (914) 360-6077, e-mail at khinj@orha.centcom.mil, or at the following address:

Special Agent John Khin, DCIS Baghdad Office, (914) 360-6077
CPA-Inspector General, Suite M106
Coalition Provisional Authority
APO AE 09335

Attachments:

1. Electronic Mail Message Originating from Declan Ganley, Dated November 11, 2003.
2. DCIS Report – Telephonic Conversation with Declan Ganley, Dated November 14, 2003.

Prepared By SA John F. Khin, Baghdad Office
DISTR: 03NS/60WB (Newell)/British Ministry of Defense

APPR: JFK/WEC

CLASSIFICATION:

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MAR-11-2004 15:00

USD(C)

703 614 2378 P.02/02

SUBJECT: Proposed Response to Ambassador Sir David Manning

COORDINATION:

Under Secretary of Defense (Comptroller)



Dov S. Zakheim

MAR 1 2004

General Counsel of the Department of Defense

TAB D

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APPENDIX F

Bearing Point Memoranda



Memorandum for Record

4/13/2004 1350 hrs. Revision 1

Memo To: Record

Memo From: Bernard Leng

Re: MoC / ITPC Financial Controls

MoC / ITPC Financial Controls

This document is intended to document the financial controls (or lack of) that are currently in place at the MoC and ITPC. The MoC / ITPC has in its budgets the following funds:
2003 MoC budget from DFI funds (MoF authorized budget) – approximately US\$75M
2004 MoC budget from DFI funds (MoF authorized budget) – US\$135M
PMO Supplemental funds – US\$225M

The MoC / ITPC has within its control a budget of US\$435 which requires management oversight in order to ensure that the funds are invested in projects appropriately and not misappropriated.

In my initial observation and assessment of the MoC / ITPC financial management and internal control processes, I have come to the initial conclusion that internal control processes are either weak or non-existent.

I was initially led to believe that letters of credit were used in lieu of cash transfers but the CPA-Ministry of Finance confirmed that cash transfers are used.

The MoC / ITPC will request funding from the Ministry of Finance and Ministry of Planning for projects. Once approved, the Ministry of Finance will transfer the amounts of money to the bank account for the MoC / ITPC. It is within the MoC / ITPC prerogative to disburse of the funds. Notwithstanding that this is not their role, however, I have observed that neither the Ministry of Finance nor Ministry of Planning are involved in subsequent stages to ensure that the projects do come to fruition or that funds have been properly disbursed to the vendors for work undertaken.

There are no internal control processes at MoC / ITPC to ensure that projects are managed and funds are disbursed appropriately. Many previous projects do not have proper documentation and funds were not traceable.

At the present moment, after interviews with members of the CPA-MoC on one particular project, I have realized that the current process is open to fraud, kickbacks and misappropriation of funds. In this particular project, the MoC received the funds from the Ministry of Finance and supposedly disbursed the monies to the vendor. The employees who worked for the vendor for the MoC project were not paid in full and there are potential discrepancies and incomplete records of the number of employees that actually worked on the project. At the present moment, the paper work is incomplete to assess whether a) funds were actually disbursed appropriately, or b) the actual number of employees who worked on the project corresponded to the payroll of the vendor and were billed to MoC / ITPC accordingly.

Based on the above, I would propose the following:

- 1) Put in place internal approval processes and management oversight. Please refer to the attached process.
- 2) An audit of the funds disbursed since 2003.

End: MoF DFI Process 0404014.doc

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USAID Iraq Economic Recovery, Reform and Sustained Growth Project
Temporary Offices: Coalition Provisional Authority
Room M-122
Administrative Mobile Telephone +1.914.822.7742
CPA Office Land Line +1.781.280.5863

To Kathy Thompson, BearingPoint, Inc. Date April 27, 2004
Chief of Party
**USAID Iraq Economic Recovery, Reform
and Sustained Growth Project**

From Jim Miller, Telecom Lead – Institutional Cc James Horner, BearingPoint, Inc.
Strengthening Project Managing Director, Brett Haan,
Director

Subject Telecommunications Institutional
Strengthening Weekly Report for April 22-28,
2004

TELECOMMUNICATIONS INSTITUTIONAL STRENGTHENING

Activities in Progress

- Identifying key personnel by function and title. Key meetings with Dr. Wahlid Jallo and Miss Luma Badir to determine process and people to implement the strategies and projects being identified in restructuring to a functional accounting and organizational environment.
- Developing requirements for ITPC and MOC-CPA training on business practices and sector restructuring. The requirements are necessary to build a framework for an adequate training program.
- Coordinating work plans with CPA-MOC and ITPC. This is essential for synchronized efforts going forward. Continued to work with CPA-MOC to identify network and operational expense and capital expense intensive projects in an effort to begin long-term planning for projects. This is required to assure proper asset management for over \$400 Million in Supplemental and DFI funding and \$900 M to \$1.5 B in proposed infrastructure development in the next two years.
- Analyzing the ITPC operations budget with the Ministry of Finance and ITPC CFO office and their support staff to determine the size of the budget and how it is allocated. BearingPoint advisors are tasked with reviewing current operations and financial/ accounting capabilities with a focus on the sources and uses of funds. Identifying processes, gaps, and developing processes for tracking and validating funds transfers at all levels.
- Developing budgets and accounts for FY 2005, analyzing 2004 DFI and CPA funding for asset assignment so funds spent can be aligned to new accounting system and newly developed strategies for functional unbundling. Functional unbundling is separating products and services into discrete items
- Developing vendor relations and status reports. Iraqna, Bechtel, Nortel and Lucent are among the vendors

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involved. These relations and status reports are critical to establishing a baseline as well as acquiring current status and issues that impact strategies and asset valuations.

- Identifying Network assets and overall Opex – operating expense, and Capex – capital expenses, intensive projects. This is part of the network planning that will include expansion, interconnection, and migration to digital.
- Gathering location map information for critical assets – fiber, towers, and switches. Also worked on an assessment of regional – north and south assets. This is part of the network planning that will include expansion, interconnection, and migration to digital, as well as asset valuation. Concern that putting key resources on detailed GPS maps creates a security issue.

Metrics Updates

- Identify key business processes for ITPC:
- Held Team meetings with ITPC and MOC-CPA – delivered draft presentation on Policy Reform and Restructuring to key managers at ITPC describing functional organization best practices.
- Continued development of processes and requirements for key project identification and completion – aligned these to functional activities
- Continued work with Phase 0 team and Long Range Planning at MOC-CPA to develop and analyze capital budget processes for PMO, DFI, and other funding sources.
- Issued initial flowcharts of four major processes.

- Provide technical assistance for financial analytics and unbundling of accounts:
- Continued review of key financial data related to expenses and accounting.
- Developed flowcharts for assessment of current processes for disbursing funds from Minister of Finance to MOC.

Provide initial assessment of ITPC:

- Received more ITPC data and updates from MOC-CPA liaison regarding financial approvals and planning processes
- Requested specific information from vendors regarding work done to restore ITPC assets, including location, value, and scope of work
- Developed action plans for issue resolution and prioritization of 22 projects in six major functional areas using previously developed concepts for establishing Working Groups and business processes for Working Groups
- Reviewed assessment of ITPC with Senior Advisor – MOC-CPA, MOC and ITPC staff. This establishes baselines for key infrastructure projects, restructuring, and functional accounting.
- Provided inputs to Master Plan Team that is putting together the comprehensive Assessment package as a joint deliverable.

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Develop strategies for restructuring MOC and ITPC:

- Issued Memo for Record on Restructuring, reviewed with CPA and ITPC.
- Based on MOC-CPA letter on restructuring, presented functional organization briefing to over 15 key managers at ITPC. Reviewed this with Director General who requested additional support from advisors to assist his ITPC staff in implementation of new functional business best practices.

Challenges

- Major security concerns. Partly due to potential personnel issues at MOC-ITPC, partly due to increased local and national disturbances.
- Directive processes at CPA do not allow sufficient time to analyze and prepare policy or position papers, to develop resource and funding needs, or to strategically support major planning efforts. A collaborative environment is lacking and creates stress and difficulties in aligning and meeting common goals.
- Significant time was taken this last week in preparing reporting documentation. We pointed out that lack of clear guidelines and activity descriptions preclude development of work plans based on ADs and TORs. This is of course impacted by the dynamic workplace and civil disruptions taking place. Work is still being guided quite effectively by events and prioritized needs, but no clear reporting can be assured to meet coordination with AD targets until this is mitigated. Reporting is continuing on weekly basis for plans, activities, challenges, and results.
- There is a lack of validated data from CPA-MOC and ITPC making it hard to determine assets and historical results. No significant data has been gathered from South or Northern areas to allow a national plan or process to emerge.
- Organizational changes within MOC and CPA have made it more difficult to locate key personnel in specific areas. Critical personnel are in jeopardy at ITPC, this could have a major impact the ability to plan and implement key projects and processes in a timely manner.
- Interactions at CPA are hampered by lack of clear communications by telephone. BE has Iraqna mobile phones and CPA has MCI mobiles and U.S. wirelines. ITPC has ITPC wireline and Iraqna and MCI mobile phones. It is difficult to communicate to Northern and Southern regions as well. At least one key team lead at CPA has no phone except in CPA office, but is rarely in office due to continual meetings and obligations. Significant time is wasted in face to face meetings when phone or emails could work if clear and timely. Many meetings are missed or duplicated due to lack of coordination.
- Travel is impacted by cancelled cars and late arrivals that cause meetings to be missed or attended late.
- There is a lack of translators and native language speakers to support BE in technical areas, including finance. Initiatives to overcome this obstacle are underway.
- Need resource in HRD – Human Resources Development, to prepare position description, candidate criteria, and to develop and train on hiring process. Also to advise on development of training facilities and curriculum. Need native language translator to support this role.
- Need resource in telecom business development to develop strategies for cross-matrix management and support systems, prepare position papers and to introduce these to ITPC senior management. This includes critical functions such as order flow, provisioning, billing, sales development, and marketing for wholesale and retail products. Also to develop high level departmental decision support systems aligned to performance indicators.
- Need resource to assist in technical assessment of network applications and assets. Needs Arabic language skills to be able to work closely and fluently at all levels of ITPC as well as to be able to visit and assess field locations.

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APPENDIX G

The Players

IBRAHIM AL-JAFFERI, initially appointed as the first president of the Iraqi Governing Council on July 13, 2003 by Paul Bremer. Jafferi remains the principal spokesman of the religious Shia Dawa Party. As head of the Governing Council, and just prior to relinquishing the presidency to Ahmed Chalabi, Jafferi presided over the appointment of 25 ministers to the government on September 1, 2003.

HAIDER AL ABADI, Iraqi Minister of Communications, was appointed September 1, 2003, three days before the cellular awards were originally to be announced on September 4. He was sighted in London by credible sources three days later, an unusual trip to make some 48 hours after being appointed as first minister of a new government in the hectic post-war period. Allegations have been made that al Abadi may have met with principals of at least one of the bidders while in London. Credible sources report that, at this same time, Mr. Aswan al Mullah, an owner with Mr. Amar al Khadi of Allied TC Plc. (a participant in the Orascom “Iraqna” consortium that won the central region) stated to these sources that his consortium “had” the award for the central region.

A protégé over many years and fellow resident with Jafferi of the Willesden Green section of London, Al Abadi has been a prominent member of the Dawa Party for many years. Persistent but as yet uncorroborated accusations have been made that both Al Jafferi and Al Abadi received payments from one or more of the cellular licenses. The Middle East is a notorious “rumor mill” but nonetheless in a written communication of April 29, 2004 from a U.S. attorney working with one of the bidders that failed to win a license, and which later filed a request with Congress to investigate the licenses, he states “On my last trip to Baghdad – last week – I was told that the Min of Comm, received \$3 million and Mr. Jaaferi, the Dawa Party’s Governing Council representative, received \$5 million from Orascom. I was told by one political party that they had documentary evidence of these bribes.” Other credible parties have made similar “hearsay” accusations elsewhere noted herein that, in addition to Orascom, payments were made to Jafferi, al Abadi and others by Nadhmi Auchi through one of his front men, Alaa al Khawaja, who works for Auchi as head of an Egypt Fund owned by Auchi’s company. (Auchi is a beneficial owner through a complex financial web of two and possibly all three of the Iraq cellular winners.)

Al Abadi, aside from his Dawa Party affiliation, apparently holds a doctorate in “electronically controlled machines” and that prior to his appointment as minister, described himself as a self-employed “consultant to the lift industry.”

NADHMI AUCHI, a British resident and former Iraqi businessman, was tried with Saddam Hussein in the 1950s for an attempt to assassinate the Iraqi Prime Minister. Auchi brokered weapons deals with Italian and French companies selling arms to Iraq, and is believed to have

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been one of Saddam Hussein’s principal financial intermediaries in the West. Auchi is the largest single stakeholder in BNP Paribas, the sole bank managing the UN’s Oil-for-Food programs in Iraq. He is also one of the largest investors, via his holding company General Mediterranean Holdings, in numerous banks and corporations including Orascom, Alcatel, and Wataniya. (See Appendix G)

NAGUIB SAWIRIS, chairman of the board of Orascom Telecom.

AMAR AL-KADHI, London-based Iraqi co-owner of Allied TC Plc., a shareholder in Orascom consortium.

SHAWAN AL-MULLAH, London-based Iraqi co-owner of Allied TC Plc., a shareholder in Orascom consortium.

ALAA AL-KHAWAJA is noted in the 2001 annual report of General Mediterranean Holdings as a Director and as head of its Egypt Fund. He is frequently used by Auchi individually and nominally as a front for various Auchi investments. Believed to be a Palestinian by birth, he primarily resides in Cairo. He is believed to own with Kuwaiti partners a large stake in Fastlink, the Jordanian cell operator in which Orascom’s shares were subsequently sold to MTC, the cellular operator in Kuwait (winner through “Atheer” of the southern region of Iraq). Because of the gathering Oil-for-Food investigation, sources say that various Auchi beneficial interests may now be nominally held in part by Amar al Khadi, Iraqi-born owner of Allied TC Plc of London, a participant in Orascom/”Iraqna” and a business associate of al Khawaji. In two business meetings in 2002, in Paris and then in Cairo, a credible source and other attendees recall Al Khawaja stating that he held substantial holdings in Orascom and Wataniya and that he had major plans for GSM licenses in Algeria and Tunisia. Discussions centered on a proposed cable TV network for Egypt. Al Khawaja stated that Auchi would be interested in this investment because he (Khawaja) had bought up a large number of classic Arabic-language films illegally which he described as literally paying for with “suitcases of cash.”

TERRY SULLIVAN, an American at the CPA who acted as the go between the CPA and Governing Council on telecom issues. Sullivan left that position to join the winning bidder in the southern region, Atheer, two weeks before the announcement of contract winners.

NICK MASSEY, formerly Project Manager for MTC/Vodafone. In his resume (see Appendix I) he states that he was “involved in all aspects of the successful bid submission for the southern region GSM license in Iraq and coordinated and managed all negotiations following selection through to license award.” Just prior to this, Massey was an operations officer in the signal regiment of the British Army, and managed the design and set-up of the Army’s communications network for the southern region. He was a central figure in launching the “unauthorized” cellular service in Basra provided by MTC/Vodafone immediately after the war. This was the “unauthorized” service that won the license from the CPA for the southern region, despite assurances from the CPA that any cellular service existing in the country prior to the bidding

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(except for one operation “grandfathered” in the Kurdish north) would not be unfairly favored. Massey recently left MTC/Vodafone and has been attempting to find a “replacement” operator for “Atheer” in the south, admitting that the company is in virtual non-performance on its license. Just prior to his departure from Baghdad, the Senior Advisor for Communications was attempting to insert Massey on a team to assist the CPA with the First Responder Network.

DANIEL SUDNICK, CPA Senior Advisor for Communications, one of two Americans in the CPA with a pivotal role in the cellular license awards. He recently returned to the U.S.

DECLAN GANLEY, President, Ganley Group. Ganley is an Irish entrepreneur and founder of wireless broadband and cable TV businesses in Western, Central, and Eastern Europe. His company, Liberty Mobile, bid on mobile phone licenses in Iraq proposing to use U.S. “CDMA” technology. To the best of our knowledge, this was the only CDMA bidder. Ganley protested the original technical specifications that would have de facto made CDMA unable to successfully compete. Changes were made to the specifications removing most of these obstacles, which he acknowledged in a letter to the CPA. In subsequent “Q and A” statements and other communications to the bidders from the CPA during the bid process it was stated that GSM and CDMA technology would be considered on a “level playing field,” that interoperable GSM/CDMA handsets were considered available and that the selection would be made by the CPA. Subsequently, in late 2003 the CPA Senior Advisor for Communications told an investigator from the CPA/IG (in the words of the investigator) that “although CDMA-based companies were not precluded from submitting proposals, only GSM-based companies were deemed to be fully qualified. Consequently, most U.S.-based and other Western telecommunications companies were eliminated from the competition.” The investigator also states that GSM/CDMA handsets were deemed “not technically possible at this time.” He also stated that it was not the CPA that made the decision but that the “ultimate authority ...rested with the Iraqi Minister of Communications.”

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APPENDIX H

Bio: Nadhmi Auchi

Orascom won the prized central region GSM license for Iraq’s cellular infrastructure as part of the reconstruction effort. Orascom has selected both Motorola and Alcatel as equipment suppliers. Some have argued that Iraqi-born billionaire Nadhmi Auchi’s (full name Nadhmi Shakir Auchi) involvement in Orascom Telecom makes the entire process suspect.

Egyptian Investment Bank, EFG Hermes, a company with close relationships with Nadhmi Auchi, is a shareholder in Orascom, Wataniya and MTC, according to their telecoms fund report for August 2003.²

Nadhmi Auchi, one of Britain’s richest men, was extradited to France on fraud charges connected with a multi-million pound corruption scandal involving the French oil giant Elf-Aquitaine. According to the UK-based newspaper *The Observer*, Auchi:

- Was tried alongside Saddam Hussein for his involvement in a conspiracy to assassinate an Iraqi prime minister in Baghdad in the 1950s;
- Used money from military contracts in Iraq to establish a business and banking empire in Britain and Luxembourg; and
- Was employed to pay alleged bribes from Italian companies to win oil contracts in Iraq because of his close links to the regime.

The *Observer* article is summarized here. The disclosures have already prompted opposition Conservative MPs to demand full details of Auchi’s relationship with the Blair government.

Nadhmi Auchi’s influence stretches to the highest levels of the British political establishment and he counts princes and presidents among his personal friends. The wealth of the Iraqi billionaire outstrips the Queen and Sir Richard Branson and has given him access to the rich and powerful from Crown Prince Abdullah of Jordan to Lord Sainsbury. He collects prominent former politicians from across Europe as directors of his companies.

But in a small court in central London this week, no amount of powerful friends will help the controversial Iraqi tycoon as he fights for his freedom.

² Source:

http://www.efghermes.com/docs/market/funds_reports/Telecom/Telecom%20Monthly%20Aug%202003.pdf

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Auchi was arrested last year in connection with a £26 million kickback scandal involving the French oil giant Elf-Aquitaine. His arrest is the latest spectacular twist in a story that spans three continents and involves an attempted assassination, two of Europe’s largest political corruption scandals and a series of multi-million pound oil and arms deals with Saddam Hussein. An *Observer* investigation revealed how a man who built his fortune on secretive deals with the Iraqi regime came to mix with ministers in the Blair government.

Auchi’s extraordinary career began in the in the back streets of Baghdad in a post-war world of coup plots, intrigue and murder. Iraqi court transcripts from 1959 show that the man who would later hire British politicians Lord David Steel, Lord Norman Lamont and Keith Vaz to work for him, once stood trial with Saddam Hussein for conspiring to assassinate Iraq’s Prime Minister Abdul Karim Qasim.

Qasim’s car was riddled with bullets from machine-guns wielded by activists from the banned Ba’ath Party that Saddam would later come to dominate. The assassination attempt and Saddam’s escape on horseback to Syria later became part of the mythology of the Iraqi dictator’s rise to power. In the 1980s an Iraqi state film, *The Long Days*, was made about the attack and the bullet-riddled car is still exhibited in one of Saddam’s palaces.

Auchi admitted that the Baathist plotters had collected a machine gun from his house a week before the attack, but said he had not used the weapon and played no part in the conspiracy. Court records from the show trial that followed, show the name ‘Nadhmi Shakir Auchi’ in the list of dozens of accused along with the full name of the man who would become the feared leader of Iraq ‘Saddam Hussein al-Tikriti’. It is not known if Auchi was ever convicted.

The nature of the relationship Auchi had with the Iraqi dictator is not known. He has always denied dealing with Saddam after the last Gulf War and claims the dictator murdered his two brothers. But it is beyond doubt that the Iraqi businessman first established himself in Britain in the early 1980s with money he had earned from deals carried out for the regime in the pre-sanctions era.

From the moment he arrived in this country Auchi was immersed in controversy. His first business coup was to broker a deal to sell Italian frigates to the Iraqi defense ministry, for which he received millions of dollars in commission. The deal to buy the ships and other military equipment from the Italian naval shipyards, Cantiri Navali Riunit, sparked an Italian parliamentary investigation into alleged bribes. Investigators discovered that a Panamanian company owned by Auchi, The Dowal Corporation, was used to funnel alleged illegal payments.

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The *Observer* has obtained a letter from Auchi to the Italian shipbuilding company in February 1982 demanding payment of US\$ 17 million to be paid into a bank account in Luxembourg.

While Auchi has never denied the existence of this deal, he has always denied any wrongdoing in this case and was never prosecuted. This was not his last brush with the Italian authorities over his deals with Saddam's regime.

Four years later he began a relationship with one of Italy's most controversial bankers, Pierfrancesco Pacini Battaglia, a man whose role at the heart of Italian political scandals was exposed by the 'Clean Hands' anti-corruption investigation. Such was Battaglia's influence he was dubbed the 'one below God.'

In 1987, Saddam Hussein ordered the construction of a giant pipeline from Iraq to Saudi Arabia after the port southern port of Umm Qasr had been destroyed by air raids during the lengthy war with Iran. The contract to build the pipeline was one of the most lucrative in the world and the Italian-French joint venture used Battaglia and Auchi to secure the contract.

A confession by Battaglia to Italian prosecutors has been obtained by New York lawyers Kreindler & Kreindler who are investigating the sources of Saddam Hussein's wealth. Battaglia claims that Auchi was used to pay bribes to Iraqi government officials to win the deal for the Italians. Auchi's price was a commission of £11 million, which was allegedly paid via a network of secret slush funds in Guernsey and Liechtenstein into another Auchi company in Panama, Barsity Services.

In his confession, Battaglia said: "To acquire the contract it was necessary, as is usual, especially in Middle Eastern countries, to pay commission to characters close to the Iraqi government...In this case, the international intermediary who dealt with this matter was the Iraqi Nadhmi Auchi."

Despite Battaglia's evidence, Auchi was never called to answer these allegations. While the Clean Hands investigation wiped out a whole generation of Italy's political and business elite, the Iraqi tycoon escaped untouched by the scandal.

His next big opportunity came when Saddam Hussein invaded Kuwait. While the world held its breath, fearful of the consequences of a global conflict, Auchi stepped in to cut a new business deal that would enrich him even further. After the invasion, the Kuwaiti government desperately needed ready cash and wanted to sell an oil refinery it owned in Spain. The French state-owned oil giant Elf-Aquitaine had agreed to buy it, but needed clearance from the European authorities. Kuwait couldn't wait and in stepped Auchi to act as intermediary. It was a deal that would return to haunt him and eventually lead to his arrest in London 12 years later.

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Once again, the deal involved alleged secret commission payments to Auchi. But this time, investigators believe a cut of the payments from Elf-Aquitaine found its way back into the pockets of the senior oil company executive Alfred Sirven, who orchestrated the deal. It appeared to be a classic ‘kick-back’ scandal that soon aroused the suspicion of French anti-corruption investigators who were busy piecing together a web of corruption involving the French oil giant that led to the heart of the French government.

Investigators believe that Auchi received a total of 5.6 billion pesetas for arranging the deal for Elf and siphoned off 2.4 billion pesetas to a secret account set up for Sirven in a bank owned by Auchi in Luxembourg. The account was in the name of Irish-registered Company Travlane. Despite the appearance of a regular company account, Travlane turned to have the sole purpose of funneling kickbacks to Sirven.

In a second deal, investigators allege that Sirven pocketed a US\$ 2 million kickback thanks to a deal facilitated by Auchi to buy property for Elf in Japan. Auchi has always claimed that the money received in the Ertoil refinery deal was legitimate commission, but this explanation never satisfied the tenacious French investigative magistrates who issued an international arrest warrant for Auchi in 2000. It stated that Auchi is suspect of ‘complicity in the misuse of company assets and receiving embezzled assets.’

For Tony Blair, the events in France may have seemed unimportant, but scandal was about to cross the channel in a spectacular fashion. Auchi, despite being one of the country’s richest men, with a fortune estimated at £1.7 billion, had managed to keep an extremely low profile. But he had already begun quietly buying influence at the very highest level of British public life.

He hired former Conservative Chancellor Lord Lamont to serve on the board of his Luxembourg banking company, Cipaf, and Lord Steel, speaker of the Scottish parliament, agreed to take up a directorship with the British arm of the Auchi empire, General Mediterranean Holdings. For Steel the new revelations will prove deeply embarrassing as the former Liberal leader has enjoyed thousands of pounds of Auchi’s generosity over the years.

The latest register of interests in the Scottish parliament show that last September, Steel flew first-class on the Auchi’s private jet to Amman to attend a GMH board meeting and the formal opening of Le Royal hotel by King Abdullah of Jordan. The cost of the flight alone was £2200. He then stayed two nights at a company five-star hotel in Amman at £268 a night. He flew back via Amsterdam on a commercial flight paid for by the company. Steel receives £10,000-15,000 a year as a board director of GMH but declined to comment on the relationship.

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Hiring Steel and Lamont was an important step towards political respectability in Britain. But Auchi's most spectacular coup came on April 23, 1999, the occasion of the 20th anniversary of GMH, when fellow billionaire and Labour Science Minister Lord Sainbury presented Auchi with a painting of the House of Commons on behalf of Tony Blair. It was signed by the Prime Minister and over a hundred fellow MPs including party leaders William Hague and Charles Kennedy. The painting now has pride of place above Auchi's desk at GMH's plush Kensington headquarters.

Auchi hit the headlines in Britain for the first time in 2001, when *The Observer* revealed that he hired the senior New Labour politician Keith Vaz as a director of GMH, although he resigned when he became a minister. But it later emerged that Vaz remained in contact with Auchi when he was made Europe Minister in the Foreign Office and made enquiries on his behalf over the French extradition warrant. It emerged that Auchi had called Vaz at home and asked the minister for advice. A Labour Party spokesman admitted that Vaz 'made some factual enquiries to the Home Office about the [extradition] procedure.'

Since then speculation has mounted over Auchi's relationship with the Blair administration with recent rumors circulating of meetings with the prime minister himself to discuss the future of Iraq.

Norman Lamb, Liberal Democrat MP for North Norfolk, has written to Blair to demand answers. Lamb said: 'Given these serious allegations against Mr. Auchi, it is essential to have transparency about the Government's contacts and relations with him on the subject of post-war Iraq. The Government must identify who he's been meeting with, why these meetings have taken place, and what was discussed. Far too many questions remain unanswered.'

Auchi is also the largest single stakeholder in BNP Paribas through his investment company, General Mediterranean Holdings. BNP was the sole bank nominated by Saddam's government to hold the proceeds of the U.N.'s Oil-for-Food Program, despite the U.N.'s recommendation that the Iraqis spread the risk across several institutions.

Financial Charts of ORASCOM and MTC (TELE KW) through most of 2003:

Orascom Telecommunications share price increase over last 12 months:

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MTC (TELE.KW) share price increase over 12 months

Source: <http://www.zawya.com/cm/quote.cfm?companyid=5166&ric=TELE.KW>



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APPENDIX I

Resume of Nick Massey

C/O: SPINNAKERS, THE MOORINGS, COLWICH, STAFFS, ST17 0XT
PHONE + 965 900 6016 • E-MAIL NICK-MASSEY@TOTALISE.CO.UK

NICK MASSEY

PERSONAL INFORMATION

- Nationality: British.
- Date of Birth: 24 September 1971.
- Marital Status: Married.

OBJECTIVE

Having developed a proven record of success in military communications, culminating with designing and deploying the CIS architecture to support strategic and tactical communications for the British Military in Iraq, I decided to explore my abilities by transferring to the private sector, planning to build on my strong managerial skills and diverse technical experience.

Having been a key individual in the successful award of a GSM licence in Iraq, and having worked on the subsequent setup of a new GSM operator, I wish to expand my experience to date with new challenges within the GSM field. Ideal employment will include the opportunity to work on business strategy, to develop solutions to technical problems and to manage projects and budgets. Although I enjoy the challenges associated with managing a team, I am not afraid to work in isolation. Foreign travel or better, residence overseas, is highly desirable.

EMPLOYMENT

2003 – Present MTC-Vodafone

Project Manager – Business Development Group

- Involved in all aspects of the successful bid submission for the Southern Region GSM Licence in Iraq and coordinated and managed all negotiations following selection through to licence award.
- Responsible for the coordination of systems design, vendor and contractor selection and contract negotiations for the Southern Region GSM Network.
- Designed the distribution strategy for Iraq including selecting an organisation to setup and manage the supply of product into Iraq.
- Responsible for maintaining relationships with the Iraqi Ministry of Communications and the Coalition Provisional Authority including all contract negotiations, regulatory issues and liaison.

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2002 – 2003 2 Signal Regiment

Operations Officer

- In January 2003 planned and managed the deployment of over 900 soldiers and 300 vehicles from the UK to Kuwait and the subsequent establishment of strategic and tactical communications for British Military operations in Iraq.
- Responsible for the architecture, design and deployment of bespoke digital and analogue deployed communications networks, utilising a wide variety of systems and technologies to suit the operational scenario.

1999 – 2002 1001 Signals Unit

Satellite Communications Manager

- Responsible for the command and control of the UK Military Satellite Communications System and the immediate and strategic management of satellite communications utilising the system.
- Acting as the focal point for the organisation, ensuring that customers receive the highest level of service whilst achieving savings within the organisation, demonstrated by increased service availability, consistently, month on month, achieved through changes in procedures and methods.
- Represent the user community in the procurement of future satellite communication capability, including the design and specification of future satellite systems and part of the team conducting the evaluation and selection of Public Finance Initiative Contract.

1997 – 1999 15 Signal Regiment

Officer Commanding Romeo Troop

- Commanded a highly specialised small organisation, responsible for the detection, and subsequent countermeasures against, improvised terrorist radio controlled explosive devices.
- Provided specialist electronic intelligence systems in support of Military and Government Agencies operating in Northern Ireland.
- Acted as the Project Sponsor in the procurement of a number of specialist communications equipment, both as emergency purchases and as long term programs.

1992 – 1994 4th Armoured Division HQ and Signal Regiment

Troop Commander

- Troop Commander of a mobile communications troop, responsible for the provision of secure voice and data systems, operating within a larger network in support of military operations.

EDUCATION

1994 - 1997 Royal Military College of Science

B Eng (Hons) Software Engineering

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1991 - 1992 Royal Military Academy Sandhurst
Standard Military Course

1985 - 1990 Baysgarth School, Barton Upon Humber.

REFERENCES

References are available on request.

SUMMARY OF QUALIFICATIONS

- B Eng (Hons) Software Engineering.
- 3 GCE A Levels: Physics, Chemistry and Mathematics.
- 9 GCSE O Levels.
- Junior Division of Staff College – Staff Pass.
- Graduate of the Royal Military Academy Sandhurst.
- Royal Signals Troop Commanders Course.
- PRINCE2 Project Management Practitioner.

LANGUAGES

French.

Learning Arabic.

SECURITY CLEARANCE

Developed Vetting since 1997. This is the highest level of clearance in the British Military.

INTERESTS

Travel, sport climbing, offshore sailing, dinghy racing, kite surfing, computing.

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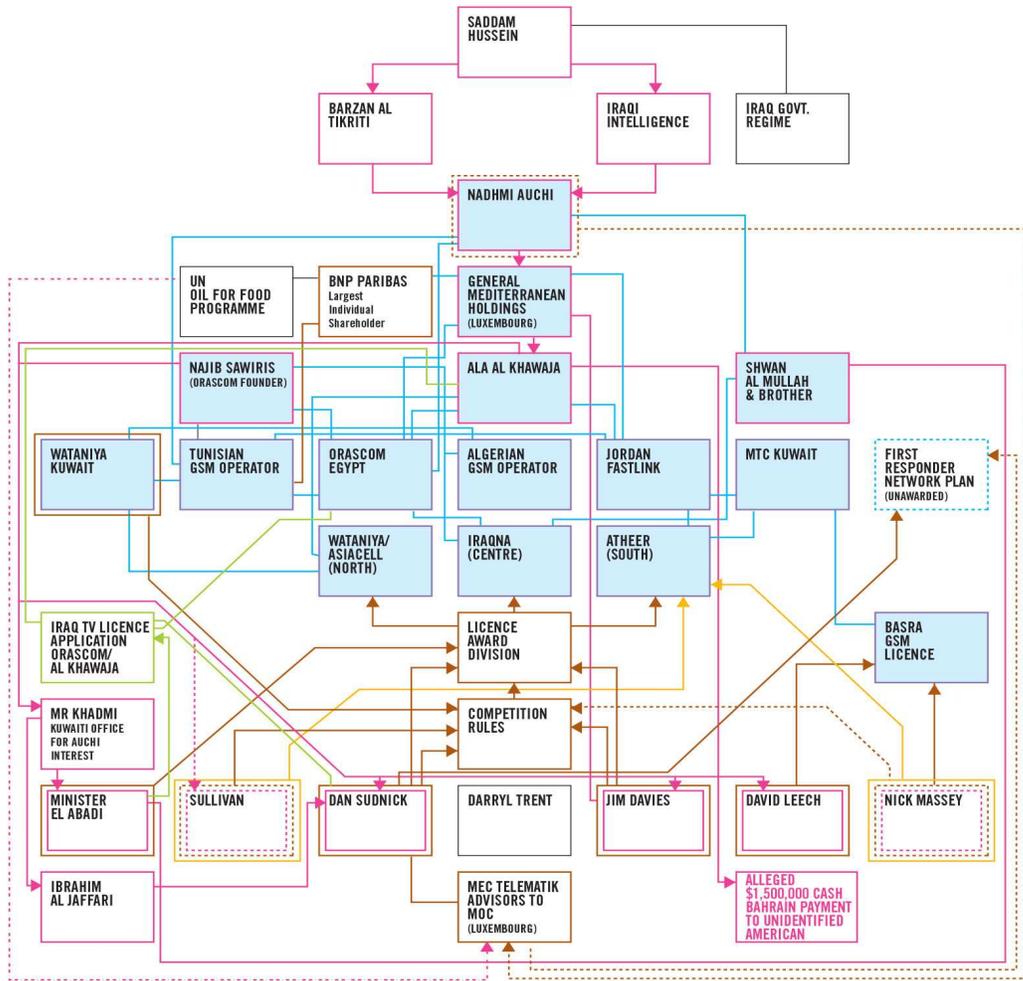
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APPENDIX J

Flow Chart – Connections

[Working Draft]



- █ CELL LICENCES
- █ MONEY TRAIL TOTAL COMBINED FIGURES IN THE REGION OF \$11.5 MILLION
- █ DECISION & COMPETITION INPUT
- █ SUBSEQUENTLY EMPLOYED BY...
- █ CROSS SHARE-HOLDINGS CONTROL
- POSSIBLE MONEY TRAIL (LESS INFORMATION AVAILABLE)
- POSSIBLE DECISION & COMPETITION INPUT

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APPENDIX K

Timeline Pertaining to Mobile Licensing

(Some dates are approximate)

Jan. 2003 Nick Massey, operations officer for the British Army’s 2 signal regiment involved in deployment of military communications into Kuwait in preparation for Iraq operations, planned and managed the deployment of over 900 soldiers and 300 vehicles from the UK to Kuwait and the subsequent establishment of strategic and tactical communications for British Military operations in Iraq. According to his resume he was “responsible for the architecture, design and deployment of bespoke digital and analog deployed communications networks, utilizing a wide variety of systems and technologies to suit the operational scenario.”

Mar. 19, 2003 War commences in Iraq.

Apr. 6, 2003 British forces take Basra and set up an interim administration there that probably includes David Leech with Massey in a more minor position and, at some time later, Jim Davies.

Apr. 15, 2003 Phone call to Declan Ganley from Neil Danby, UK citizen and employee of Tigris Staffing (Ganley Group’s staffing company for Iraq). Danby told Ganley that his friend in MTC Vodafone (Kuwait) Mr. Gerard O’Neill, Director of Military Sales Strategy, said that he was working on a proposed mobile project for Iraq with a Royal Air Force Group Captain, David Leech. On a subsequent call some days later, Danby informed Ganley that O’Neill had said the plan was for Vodafone to be given a contract for 6 months in Basra, which O’Neill said would over time morph into a national commercial GSM network and that MCI would receive a contract in Baghdad.

Late Apr. - early May 2003 In a meeting at the Millennium Baileys Hotel in London with Imad Al Jamil, Iraqi-born UK citizen and others, Danby again mentioned the Group Captain in reference to his conversation with Gerard O’Neill.

May 9, 2003 While attending to the Geneva Aviation show, Ganley again received a phone call from Danby referring to the RAF Group Captain’s association with MTC Vodafone.

May 15, 2003 MCI Worldcom awarded a contract to build limited GSM network in Baghdad.

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May 26, 2003 MTC Vodafone awarded a contract to build limited GSM network in Basra where British were in control.

Jun. 13, 2003 White Paper (see attached) authored by Ahmad Haleem, an employee of Wataniya (Wataniya is partly owned by Nadhmi Auchy through Ala al-Khawaja; Haleem is currently CFO of Wataniya) and distributed through Motorola to officials involved in the cellular license process. This White Paper sets out recommendations for competition rules that are identical in many places to the CPA's first cellular bid specifications of July 27, 2003, and which were protested at the Jordan bidders conference as unfair to CDMA technology

Jul. 13, 2003 Iraqi Governing Council appointed. Ibrahim Jafferi is first president.

Jul. 17, 2003 David Leech, a telecommunications adviser from the coalition, states that up to three 24-month licenses would be awarded and a request for proposals (RFP) would be formally announced by the week of July 28.

Jul. 18, 2003 CPA makes first announcement that a cellular competition will be held.

Jul. 24, 2003 At a Tigris Staffing meeting with AIG in London, Erik Armellino of AIG made a statement to Mr. Sean Ganley that "Orascom would be AIG insurance's first real client in Iraq."

Jul. 27, 2003 First Statement of Objectives for Iraq Mobile License Offer (tender documents) released.

Jul. 29, 2003 Letter from Ganley to Ambassador Bremer protesting bid specifications that would unfairly disadvantage CDMA technology in the bidding; and raising other concerns including how and by whom the bids would be assessed.

Jul. 31, 2003 Mobile telecom bidders' conference in Jordan announces revised rules of competition. At the conference, Sean Murphy of Qualcomm introduced himself as a Qualcomm representative and went to shake hands with Daniel Sudnick but Sudnick rebuffs him (a very minor issue but struck Ganley as odd at the time). At the conference David Leech stated the winning consortia should not have common shareholders. Egyptian investment bank EFG Hermes was already an investor in Orascom and invested into MTC and Wataniya in July 2003.

1st week of August David Leech departs CPA Baghdad.

Aug. 3, 2003 Bid specifications revised to accommodate "CDMA" concerns raised in the earlier Ganley letter. In his reply to Ganley, Ambassador Bremer states that the

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revisions were intended “to increase the scope for bids from smaller companies, to reduce the constraint on those with a Government investment, and to remove perceived barriers to participation by companies proposing the use of CDMA technology.”

Aug. 11, 2003 MENA FN (Middle East North Africa Financial Network) reports a run-up in the share price of Orascom Telecom on speculation that the company will receive a mobile phone license in Iraq.

Aug. 14, 2003 Original deadline for submission of bids.

Aug. 21, 2003 Revised deadline for submission of bids.

Sept. 1, 2003 Haider Abbas al-Abadi appointed Minister for Telecommunications.

Sept. 4, 2003 Original date when result of license competition was to be announced.

Sept. 5, 2003 Announcement of award delayed.

Week of

Sept. 7, 2003 Haider al-Abadi travels to London where he spends between 5 and 7 days. Credible sources allege that Naguib Sawiris, Chairman of Orascom, met with Minister Haider in London during this time to strike a deal with the Minister. Information regarding the Sawiris-al Abadi meeting is obtained by an Iraqi contact from a direct face-to-face meeting with Amar al-Kadhi and Shawan al-Mullah, London-based Iraqis who are both owners of Allied TC Plc., a shareholder in the Orascom consortium. (Our sources say that a payment to the Minister was possibly either agreed upon or actually paid during this visit.)

Sept. 9, 2003 Shares in the National Mobile Telecommunications Company (Wataniya) jumped 40 points after the *Arab Times* says that Wataniya is one of the companies expected to be granted a cellular license in Iraq.

Sept. 10, 2003 Amar al Khadi and Shawan al Mullah begin telling people they have won the license for the Central region as part of the Orascom consortium. Shawan al-Mullah states to friends that he was told by Davies that Orascom had won the central region license.

Sept. 17, 2003 “Maurice” (a private money manager in London), following a conversation with his boss, Ala al-Khawaja, makes a statement to Imad al-Jamil and Adnan al-Saidy in London to the effect “You guys should stop wasting your time. I hate to disappoint you but we’ve got the job, it’s in the pocket.”

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Oct. 1, 2003 Dow Jones report that short-listed companies include Orascom Telecom Holding of Egypt; Turkcell AS of Turkey, which is 13%-owned by TeliaSonera AB; LibanCell of Lebanon; and Zagil Wireless, an Iraqi-American consortium that is partnering with U.S. carrier MCI and Swedish telecom equipment maker Telefon LM Ericsson AB.

Early Oct. 2003 The Iraq Ministry of Transportation and Communication formalizes severance into two Ministries.

Oct. 6, 2003 Haider al-Abadi, Minister of Communications, announces the award of three GSM licenses: northern region to Wataniya (Kuwait), central region to Orascom (Egypt), and southern region to MTC (Kuwait). Memorandum from Dr. Sudnick states it was a decision made by Iraqis, for Iraqis, with the CPA in an advisory role only. However, in a separate memorandum to Ambassador Bremer sent prior to a meeting scheduled between Bremer and al-Abadi for October 5, Sudnick writes, "I recommend that you reject his [al-Abadi's] offer to materially change the design of the tender and his election to further scrutinize the recommendations of the Source Selection Evaluation Board (SSEB). Should the minister decline to make the announcement on the present terms, then you should make the announcement of the license awards immediately."

Oct. 14, 2003 On a conference call to Dr. Sudnick in Baghdad from a conference room at the Department of State with senior State and DoD representatives present, the subject of the Iraqi cellular licenses was raised. Dr. Sudnick stated the following:

- Immediate goals in Iraq are repairing land lines and switching equipment and opening a "Class 4 International Gateway" by October 24 to beat Ramadan.
- Wireless: Three exclusive contracts were awarded; Sudnick stated there were 35 qualified competitors with over 100 proposals (you had to bid on a minimum of two regions). There was no "major U.S. or European participation" Sudnick gave the reason that they didn't want to front the \$50-100 million venture capital per region for only a two year deal.
- The competition was fair and driven by FAR (Federal Acquisition Regulations) with an even balance of U.S. and Iraqis on the selection board; it was also noted that "Iraqi Advisors" outnumbered CPA individuals.

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Nov. 19, 2003 At the first major CPA “Industry Day” conference, introducing the Iraq reconstruction plans for telecommunications in Iraq, a transcript of Dr. Sudnick’s remarks are as follows:

A question was asked, “You said that the specifications would be written to European (sic). Does that mean then that the (unit) would be European?” The presenter was not qualified so he looked for the “communications presentations.” Dan Sudnick was called on and stated, “These three operators (winning bidders) have elected to use GSM technology. It’s a two-year license. And they will be building out their networks for the first six months to a year in their region exclusively. And if they reach a certain build-out rate, then they are authorized to go national.”

Sudnick then names the winning companies: “The names of the three— in the north Agisil. In the south, it’s a company by the name of Atheer. That’s how they pronounce it. And in the central region, the company is called Iraqna which in Arabic means our Iraq. And that’s a new entity that belongs to Irashcom consortium.”

Sudnick then goes on to describe a “public safety network” (FRN). “We’re looking at a combination private sector investment going concurrently with funds that will be derived from public sources.” “...the intent for all of these seed funds (U.S. Supplemental funds) and all the supplemental projects are about to stimulate private sector investment.”

Nov. 25, 2003 A Determination and Findings (D&F) by the Deputy Secretary of Defense is issued and reads, in part: “It is necessary for the protection of the essential security of the United States to limit competition for the prime contracts of these procurements to companies from the United States, Iraq, Coalition partners, and force contributing nations. Thus, it is clearly in the public interest to limit prime contracts from these companies.” Among the 24 Iraqi Reconstruction and Relief Contracts to be awarded are the three Design-Build IDIQ Construction Services for Transmission/Distribution/Communication and Control contracts (north, central, south). (See Appendix M for a list of countries eligible to compete for contracts.)

Nov. 26, 2003 Ala al-Khawaja in London, supposedly to meet with Auchi.

Early Dec. 2003 Jim Davies departs CPA Baghdad.

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- Dec. 3, 2003** Amar al-Kadhi makes a statement to Adnan al-Saidy that ‘no way whatsoever’ would CDMA ever be put in place in Iraq.
- Dec. 2003** Dr Sudnick tells Dr. Shaw that he personally “controlled the decision (regarding the awarding of the licenses) and made sure the minister went along with it.”
- Jan. 30, 2004** Dr. Sudnick awards Orascom a \$10 million CPA contract for prepaid airtime for use by the CPA/Baghdad. This is a highly unusual and possibly unprecedented contract for cell phone service. Employees of Bearing Point, an AID contractor in Iraq, reported that at a meeting attended by some other Americans, Dr. Sudnick stated he had “made Orascom’s business plan.”
- Feb. 24, 2004** Nokia press release states that Atheer had contracted to buy a Nokia GSM MSC (telephone switch) and other hardware for its cellular operation in the southern region. This purchase may in fact be difficult for the Atheer consortium to conclude since it has not as yet been capitalized because of a dispute with its Iraqi investor. It is believed Atheer has not posted the required performance bond, which was due at the issuance of the license on December 22, 2003. It was also reported to be providing minimal cellular service.
- Early Mar. 2004** Dan Sudnick reacts very negatively to request for clarification on his role in advocating GSM technology for both the cell contracts and the First Responder Network. He attempts to cut off information provided to ITS. Bonnie Carroll, deputy to Dr. Sudnick, began taping official phone calls from the Pentagon to the American MOC office in Baghdad. It is not known who authorized this, the extent of the wire-tapping, nor the use of the recordings.
- Mar. 2, 2004** CPA Contracting issue a request for proposal to NANA Pacific for the Communications Infrastructure Support SOW.
- Mar. 3, 2004** Bonnie Carroll, CPA Deputy Senior Advisor of Communications for Programs, sends an email to Janet Reiser, president of NANA Pacific, an Alaska-based U.S. company, informing her that CPA had retained the services (prior to contract award) of MEC Telematik, a Luxembourg-based firm, as its lead adviser on telecommunications. She makes the point that this firm knows Iraq extremely well, as they have been working there since long before the U.S. liberation. This means that they would likely have been working under the Oil-for-Food program where funds were controlled and dispersed through BNP Paribas. It is interesting to note that Auchi, a key player in the Oil-for-Food program and the largest single shareholder in BNP Paribas, uses a Luxembourg-based holding company named General Mediterranean Holdings to hold many of his interests. It is possible that individuals in MEC Telematik who were working for Sudnick also had roles in another process where Auchi interests were awarded cell phone licenses.

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Mar. 4, 2004 During a telephone call between Ganley, James O'Reilly (a Ganley employee) and Bonnie Carroll regarding the Communications Infrastructure Support SOW document issued by CPA to NANA Pacific on March 2, Ganley expressed concern about being able to procure a GPRS MSC (switch) as specified in the First Responder Network (FRN) initial statement of work. Ganley stated it was a new and odd requirement, which had never been mentioned previously. It was illogical to conduct a CDMA vs GSM comparison trial creating a 90-day delay. The relative voice and data capabilities of CDMA vs GSM are well known and have been demonstrated many times under controlled conditions. Ganley stated that the CDMA MSC would not present a problem, as it had been known about for some time and had been placed on order by Lucent weeks ago. Bonnie Carroll stated "don't worry, Dr Sudnick has arranged all of that, he is planning to have Atheer (the MTC GSM operator in the South) carry out that part of the trial." When Ganley and O'Reilly asked her to clarify, she stated: "Oh, I probably should not have told you that, it's something I heard at a meeting." Ganley surmised this might be a way of introducing via a CPA-funded statement of work the switch earlier ordered by Atheer from Nokia, and which Atheer might be unable to procure because of a failure to capitalize the company due to shareholder disputes.

Mar. 8, 2004 During a telephone call from Bonnie Carroll to Ganley allegedly to clear up some confusion on Carroll's part about the contents and technical aspects of a bid for work, she specifically questioned the need for secure communications and the provision for potential commercialization of the FRN.

Mar. 22, 2004 A report is sent to Dr. Shaw that an Iraqi has stated that two Iraqi Ministers of the Interim Government told him in front of a witness that: "Al Jaffari [a member of the Governing Council and head of the Dawa Party], Al Abedi [the Minister of Communications] and Dr. Sudnick are in receipt of payments in return for favors relating to the Iraq telecommunications process." (See Appendix M.)

Mar. 23, 2004 Dr. Sudnick was ordered to produce all three Licenses per the request of the Deputy Secretary of Defense, but he could only produce the Licenses for Atheer and Orascom. Asia Cell has never been produced. (See Appendix P.)

Late Mar. To the best of our understanding, Dr. Sudnick is given the opportunity by the DoD to resign as CPA Senior Advisor for Communications. He is finally ordered to submit his resignation on April 15 and does so on April 16, leaving Baghdad three days later. Before he departs, however, he authors the "withdrawal letter" for CPA Contracting under which Nana Pacific is denied the FRN work under its IDIQ contract. He and Bonnie Carroll return to the U.S.

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- Mar. 24, 2004** Fastlink, the Jordanian cellular operator, enters into a \$120 million contract with Atheer to operate and manage its cellular license for the southern region of Iraq. MTC is a 96% equity owner of Fastlink, purchased in 2003. (Fastlink is preparing for an IPO of 25% of its equity later this year.) Alaa al Khawaja is reputed to be a shareholder of Fastlink. This odd arrangement of MTC in effect “subbing” the Atheer license may be in part an attempt to solve its shareholder/capitalization problems. It would seem to be in effect a transfer of license responsibilities not in conformance with its license obligations. Paragraph 18 of the bid specifications of August 3, 2003 states that “the license may not be transferred, in whole or in part, until the Ministry approves a written request. Any request for a transfer of any form will not be considered until after the 12-month build-out target of the original license has been met.” It may also be a “stock play” by Auchi interests to inflate Fastlink’s value in advance of the projected IPO. (MTC shares have already seen a significant run-up in the weeks prior to and just after the Iraq cellular award.)
- Apr. 13, 2004** Memorandum for Record. Bernard Leng of Bearing Point, documenting the financial controls (or lack of) that are currently in place at the MoC and ITPC (see Appendix F): “I have come to the initial conclusion that internal control processes are either weak or non-existent.” “Many previous projects do not have proper documentation and funds were not traceable.”
- Apr. 15, 2004** Dr. Dan Sudnick is asked to resign. He submits his resignation April 16 and Bonnie Carroll submits her resignation on April 17. They both depart Baghdad three days later.
- Apr. 21, 2004** CPA Baghdad announced the award of a license grant in Sana Tel the authority to provide mobile cellular telephone service in the Sulaymaniyth Governorate (Northern Iraq). The three holders of licenses were to have two year exclusivity in their region.
- Apr. 27, 2004** Memorandum is written by Jim Miller, Telecom Lead Baghdad, BearingPoint, Inc. on “Telecommunications Institutional Strengthening Weekly Report April 22-28.” This is a summary of critical actions that require immediate attention, included under “Challenges:”
- “there is a lack of validated data from CPA-MOC and ITPC making it hard to determine assets and historical results. No significant data has been gathered from South or Northern areas to allow a national plan or process to emerge.”

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Apr. 29, 2004 In a *Los Angeles Times* article Dan Sudnick states “Together with my team, we were singularly instrumental in putting modern communications in place that never existed in Iraq before...” Sudnick said, “No one, doing it properly and carefully, and avoiding the misuse of taxpayer’s dollars could have done it any faster.” The story then goes on to state “Auchi has publicly acknowledged holding a small interest in one of the winning companies.”

Mr. T. Miller, journalist for the *Los Angeles Times*, confirmed that he had spoken with OMB who confirmed that Dan Sudnick had submitted language in conjunction with the preparation of the Supplemental Request stating that monies used for the FRN would not be used to install another commercial operator in Iraq. At the time Dr. Sudnick submitted the request for the language, he was also directly involved in the award process for the cellular licenses. He confirmed that OMB struck the language, and admitted that there was no Congressional mandate limiting future commercialization.

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APPENDIX L

Sudnick's Comments on the Cellular Selection Process:

The initial CPA Press Notice of July 18, 2003 promised that “licenses will be issued following a transparent and fair competition.” The CPA tender documents are silent on how the winners would be selected, and there is no written record. What is left is a series of contradictory statements by Dr. Dan Sudnick on the matter: In the April 29 issue of the *Los Angeles Times* Sudnick takes full responsibility: “Together with my team, we were **singularly** instrumental in putting modern communications in place.” The record of Sudnick’s statements follows:

- Oct. 13, 2003.** A *Financial Times* article on the Iraqi cellular awards quotes Sudnick as “one of 2 Coalition Provisional Authority officials in evaluating the bids.”
- Oct. 14, 2003.** In a telephone call between Sudnick and Washington officials, he states (as noted by a participant) that “*the competition was fair and driven by FAR, with an even balance of U.S. and Iraqis on the selection board; and that Iraqi advisors outnumbered CPA officials.*”
- Oct. 14, 2004.** In a letter to losing bidders, Col. Anthony B. Bell, Head of CPA Contracting, states, in describing the evaluation and then the selection process: “Predetermined evaluation plan with evaluation factors that were developed prior to receipt of the submissions are used to evaluate the individual proposals. The board used a red, yellow, and green (*sic*) for the different criteria and assigned an overall color rating. Upon completion of the review, the board continued to work (with) those that had an overall green (satisfactory) rating. The board worked these into a ranking by region. Due diligence was performed on the offerors using various databases accessible to the coalition. The recommended submissions were presented to the source selection authority for approval by the Board.”
- Late Dec. 2003** While both were at CPA/Baghdad, Sudnick states to Dr. John Shaw that he (Sudnick) “*made the selection of the winners.*”
- Dec. 16, 2003.** In a report from the IG, the investigator (presumably after interviewing Sudnick) states: “*The source selection evaluation board (SSEB) consisted of 14 evaluators and advisors representing U.S., British and Iraqi interests. All members of the board had equal weight in their input. Half of the board members were Iraqi.*”

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- Feb. 4, 2004** The British Ambassador to Washington in a letter to the Deputy Secretary, states what he believes to have been the selection process: *“Over 80 bids were received. These were initially considered by a 9-person board including 5 Iraqis and 4 CPA officials. A short list was put to a further panel of 2 Iraqis and 2 CPA officials, which put 3 winning bids to Ambassador Bremer for signature.”*
- Feb. 24, 2004** In notes for a briefing at the NSC, the CPA Senior Advisor Dan Sudnick, states *“a selection board was assembled to make decisions. Five Iraqi telecommunications experts and three advisors from the CPA sat on the selection board.”*

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APPENDIX M

MEC Telematik Memo & Proposal

Bonnie Carroll sent the email below to Nana Pacific on March 3, 2003. A check of the file properties on the MEC Telematik memo (File, Properties) indicates the document was created using the letter template of a company called Echo Broadband S.a.r.l. Under the Custom tab Bonnie Carroll is listed as the author, and the date of creation of the document is March 3, although the date printed in the body is Feb. 10, 2004. This either means that Bonnie Carroll is the original author of the document, or that it was created or modified on her computer.

Echo Broadband S.a.r.l. is a telecoms company at the same address as that listed for MEC Telematik (6, rue de la gare, Luxembourg.) The company was owned by Keppel Corporation, a Singapore-based conglomerate which also owns a piece of a mobile telephone operator in Singapore. Keppel Corporation sole Echo Broadband in February 2004 to Pocatello Invest Inc. and Francois Richaume.

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

From: Carroll, Bonnie Ms. (CIV) [mailto:carrollb@orha.centcom.mil]
Sent: Wednesday, March 03, 2004 10:33 AM
To: Edward Cronick (NP); Janet Reiser
Subject: The Team

Ed/Janet,

Attached is our lead team, plus one individual (Nick Massey), who we have assembled for the Lab Complex. You will be VERY pleased with the depth of experience these technicians and managers will bring as they have been in Iraq since, in some cases, before the US entered last Spring and know every inch of this country's capabilities.

There will be most likely be a few more to add, but these are the immediate hires. While I realize the contract has not been awarded, I wanted you to have the chance to make direct contact and introduce each other if you so choose.

Art Maurer can be reached at Arthur.Maurer@t-online.de
Nick Massey can be reached at n.massey@mtc.com.kw

They are anxious to get on board, but not as anxious as we are to have them!

Thanks so much,

Bonnie

Bonnie Carroll
Deputy Senior Advisor for Programs
Ministry of Communications
Coalition Provisional Authority
Room S-214, The Palace
Baghdad, Iraq
APO AE 09335
carrollb@orha.centcom.mil
703-343-8333; DSN 318-239-8333
Cell phone: 914-822-5341

4/22/2004

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq

**MEC Telematik s.à.r.l.
6, rue de la gare
L-6440 Echternach
Luxemburg**



Dr. Daniel R. Sudnick
Senior Advisor
Ministry of Communications
Coalition Provisional Authority

Proposal for Professional Services

February 10th 2004

Dear Dan,

Further to our discussion on Thursday, 5th February we are pleased to submit our proposal for Professional Services provided by MEC Telematik S.à r.l. team.

MEC has its Head office in the Grand Duchy of Luxembourg and serves an international client base providing the complete spectrum of computer sciences and telecommunications.

MEC is keen to be involved in the reconstruction of Iraq and its telecommunications infrastructure.

MEC will support you with a well respected and highly qualified team of experts, with proven track records coupled with decades of experience on many countries.

Our portfolio covers Project Management, Engineering support, Project and Financial Controls Organizational and business development, plus Customer Relationship Management.

With our specialist knowledge base, we are able to deliver effective business solutions throughout all phases of the project lifecycle.

In addition, it is important to note that our key team members are already highly experienced in operating in Iraq. These individuals, along with our partners from research and development, will commit to delivering the appropriate technology, processes, systems, and engineering expertise for Iraq.

MEC's initial scope of work is to support and advise the Coalition Provisional Authority/ Ministry of Communications in the following areas:

MEC Telematik Société à responsabilité limitée • 6, rue de la gare • 6440 Echternach, Luxembourg •
Phone: +352 - 267 210 52 • Fax: +352 - 267 210 52 • RC Diekirch B6699 •
VAT-Id. No LU19501415 Company Id. No.2002 24 17984 I.B.L.C. No. 19501415• Capital: Euro 12.500,--

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Consultancy Services

General Network Architecture Planning:

- Wireless Communication Network Technologies (GSM/CDMA/TDMA/3G)
- WLAN/WLL
- Regulatory issues
- Broadband Wireless Network Technologies

Silicon Crescent Laboratory Planning:

- Skilled resources for the fast-track design and development of a complete research laboratory to include architectural, financial, mechanical, electrical, HVAC, civil construction and fit-out expertise, with procurement, financial planning and control.

Regulatory Architecture:

- Traffic and Capacity Analyses
- Traffic Inter-exchange between different networks & carriers
- Roaming and Settlements
- Common Carrier/Reseller Development
- Effective regulatory policy for transition from monopoly to full competition

Financial Controls:

- Project Appraisal
- Procurement
- Budgetary Planning and Investment Control
- Monitoring, Recording and Reporting
- Treasury Management and Control
- Systems Implementation

Infrastructure Support:

- Logistical Support
- Security Services
- Facilities Management
- Fleet and Transport

Our Team will support and deliver

- Requirements and specifications
- Functional/Architectural Design
- Turnkey Project Management
- Guidelines and Standards
- Business Case Development
- Education and Training

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Preliminary Findings: Report to the Inspector General into Mobile Telecommunications Licenses in Iraq



Our proposed senior management team:

Mr. Arthur Maurer	Sr. Project Manager	Chairman - MEC and Senior Technical Officer
Mr. Chris Serjeant	Sr. Project Manager	Global Program and Infrastructure Director
Mr. Robert Philpott	Sr. Finance Consultant	Global CFO and Procurement Specialist
Mr. Frederic Wohl	Sr. Commercial Consultant	VP Global Commercial Operations

Our proposed senior technical team:

Mr. Stefan Dewald	Senior IT-Consultant
Dr. Andreas Heuer	Senior IT-Consultant
Dr. Kay Weller	Senior Telecom System Design Manager

Terms and conditions:

- MEC will provide resources as Full Time dedicated Consultants for the expected project timing of 6 to 9 months with a minimum guarantee of 3 months.
- MEC Advisors will cover 40 hours per week minimum with Overtime Chargeable on approval.
- MEC will require the use of all Logistic Facilities
- Fully reimbursable expenses include:
All Business related expenses
One Business Class Airfare to point of mobilization every 3 months
- Other Requirements
Office space and technical office equipment, including mobile phones, notebooks, a server, printers and internet connectivity

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Phone: +352 - 267 210 52 • Fax: +352 - 267 210 52 • RC Diekirch B6699 •
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Pricing (Net of VAT):

Senior Consultant: 230 USD/hour
Advisor/Consultant: 120 USD/hour
Engineering Support: 95 USD/hour
Administration Support: 65 USD/hour

We would like to thank you for the opportunity to present this proposal for advancing the reconstruction of Iraq's Telecommunications infrastructure.

In order to proceed, we would like to receive at your earliest convenience, conditional acceptance of our proposal in principle, and a documented scope of work for the project.

Sincerely,

Arthur Maurer
Chairman and Senior Technical Officer - MEC

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Countries Eligible to Compete for U.S.-Appropriated Funds for Iraq Reconstruction:

Afghanistan	Moldova
Albania	Mongolia
Angola	Morocco
Australia	Netherlands
Azerbaijan	New Zealand
Bahrain	Nicaragua
Bulgaria	Norway
Colombia	Oman
Costa Rica	Palau
Czech Republic	Panama
Denmark	Philippines
Dominican Republic	Poland
Egypt	Portugal
El Salvador	Qatar
Eritrea	Romania
Estonia	Rwanda
Ethiopia	Saudi Arabia
Georgia	Singapore
Honduras	Slovakia
Hungary	Solomon Islands
Iceland	South Korea
Iraq	Spain
Italy	Thailand
Japan	Tonga
Jordan	Turkey
Kazakhstan	UAE
Kuwait	Uganda
Latvia	Ukraine
Lithuania	United Kingdom
Macedonia	United States
Marshall Islands	Uzbekistan
Micronesia	

As of November 25, 2003 per NSA, Defense Policy

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APPENDIX N

E-mail Correspondence from Declan Ganley

Subj: **FW: Iraq telecom report 22nd. March 04**
Date: 3/22/2004 12:18:25 PM Eastern Standard Time

(From Declan Ganley;-e-mail address redacted)

The following is my report following my briefing from our Iraqi source Mr. A, upon his return from Baghdad yesterday, Sunday 21st. March 04. He does not wish to be named in the body of this report as he is concerned that a certain member of the CPA who he believes to be compromised might be in receipt of the information. I am prepared to provide the name verbally to the appropriate persons.

"A" had multiple sources for his information but the primary sources are two serving Ministers of the Iraq Interim Government. I am aware of their identities and again will provide them verbally but A. stressed that they not be written down at the request of the individuals who for the time being do not wish to be identified as the sources of this information. [Resumes of Iraqi's making accusations are on file at the IATT office for security reasons.]

The Ministers reported the following:

Al Jaffari (a member of the Governing Council and I think head of the 'Dawa' party), El Abedi (the minister for communications and member of Dawa) and Sudnick are all in receipt of payments in return for favors relating to the Iraq telecommunications process.

When giving this information which they volunteered, the conversation was started on the subject of the service being offered in Baghdad by the Orascom network. They were not prompted and gave the information as part of a description of the telecom process and the role of Dawa party members. When giving the information on the recipients of payments they stated that there was an American in the CPA called "Sadik or Sandy or something like that", A. asked if it was "Sudnick" and they said yes that was it and how did he know of the name, he told them that he knew Sudnick was a senior guy in communications. The Ministers said that Sudnick was "coordinating" with Al Jaffari and El Abedi and that Al Jaffari had set up an office in Kuwait which is staffed by one of his former London based 'Dawa party' figures a Mr. Adnan Ali Al Kadhmi. This gentleman and one other receives payments which are then passed on to Al Jaffari and from him to Sudnick and El Abedi, the payments are believed to be in large denomination dollar cash bills. The other gentleman allegedly receiving and passing on payments is a Mr. Shwan Al Mullah who is a share holder in the central region license. Al Mullah picks up payments from Najib Sawiris in Jordan and passes them to Al Jaffari. A. reports that Al Mullah's partner's brother Maqadam Al Khadi is now holding all of Nadhmi Auchi's Iraq cellular interests in trust while the Iraqi investigation into the licences takes place. The ministers report that they have good information that the amounts paid to Al Jaffari, El Abedi and Sudnick are approximately \$10 million U.S. dollars, the parties allegedly making the payments via Al Kadhmi and Al Mullah are Najib Sawiris (of Orascom) and Ala Al Khawaja (reportedly a shareholder in two of the networks and a bag man for Auchi whom he runs a fund for in Egypt). The

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ministers said that there was a particularly significant meeting in Kuwait four weeks ago where in the presence of Al Kadhmi, At Jafferi and Al Khawaja met directly and where a significant payment was made to be split with El Abedi and Sudnick. A. pointed out that members of the CPA can avoid having their passports stamped going through Kuwait border controls. A. asked the Ministers how they had this information and they told him they had a good network, the information was sound and that they were able to assemble some of the information that led to the capture of Saddam and of Taha Yasin Ramadan. A. expressed concern that this information would easily identify the Ministers.

According to A. (and he suggested that this could and should be independently verified) there is much Iraqi anger at the way communications have been handled, the level of corruption and the inadequacy of the service. He reported that there is no roaming whatsoever. That each of the three systems will not allow roaming on the other, that there is no service at all in the Southern Licence area. He also reports that there is not even the most basic data service available and that the Baghdad network will not allow the sending or receiving of text messages. The sim cards issued in Iraq will not work in any country out side Iraq or in any other area within Iraq. A. states that the pricing is exorbitant with a one month validity sim card costing \$68 USD without a handset, he also said that the prepaid cards appear to be programmed to deduct credit at a faster rate than even advertised, he gave the example of purchasing a \$20 prepaid there is a rife market for stolen handsets which are coming in from Europe (this business is operated by a group called 'Allied' who are operating from London and owned by Al Mullah's partner Amer Al Khadi). The Ministers reported that Sudnick and El Abedi are rushing to put as much as they can in place to protect their funders interests before June as they are concerned that both they and Al Jafferi will not be in place after June.

Follow-up e-mail from Declan Ganley April 20, 2004:

According to our information about this time (September 2002) or earlier either Leech or Davies, more likely Leech, met with Al Khawaja most likely at the Sheraton Hotel in Kuwait City where the payment to be lodged to the Arab Bank in Jordan was agreed.

We also heard another rumour that a meeting took place between Al Khawaja and a CPA official based in Bahrain. He had travelled to the CPA in Baghdad and was in co-ordination with David Leech. Purportedly a payment of \$1.5 million was made at this meeting in Bahrain. We are currently unable to get any more information on this, though we are working on it.

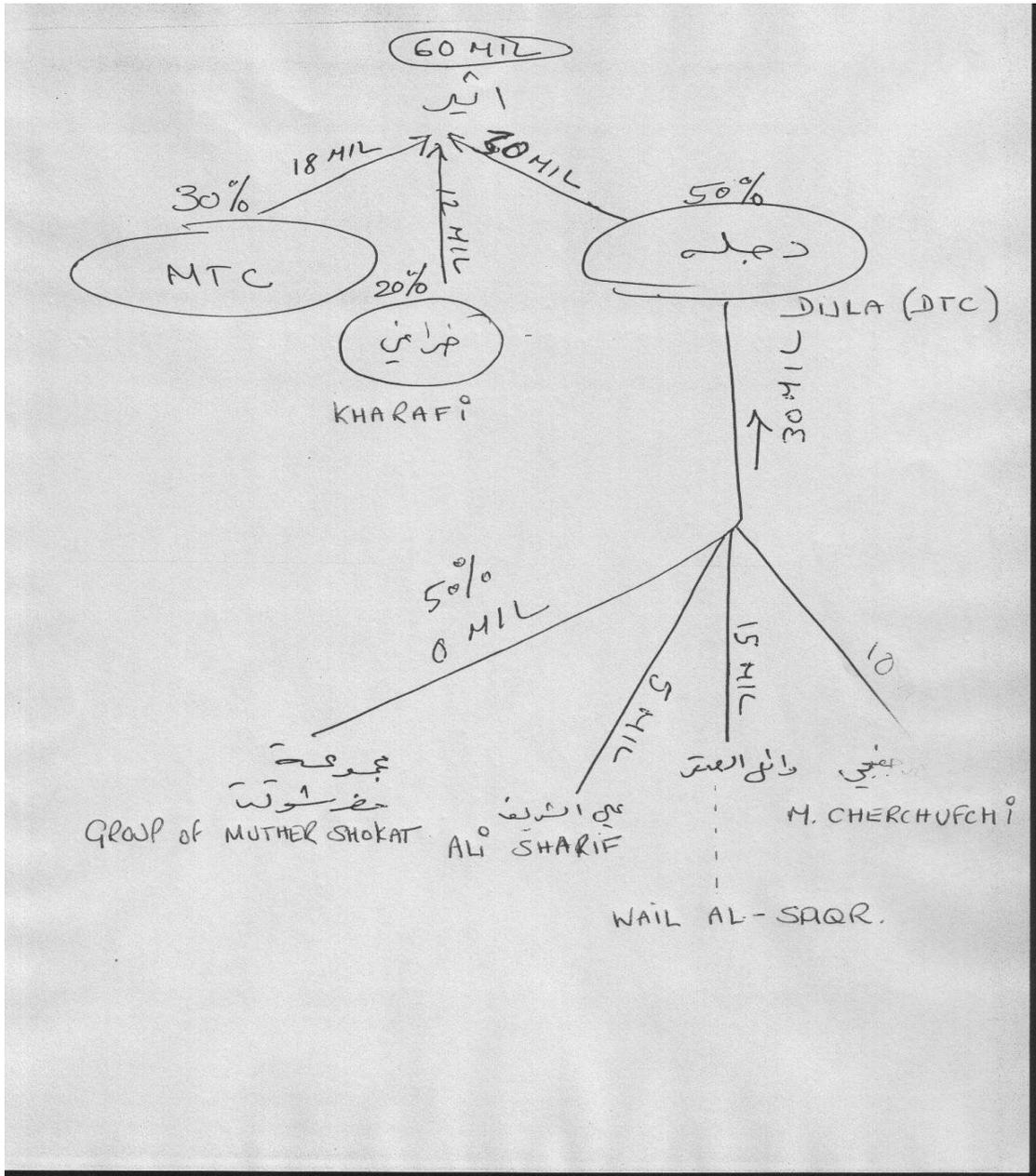
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APPENDIX O

Atheer Ownership Chart



Ownership chart hand-drawn by the principal Iraqi investor in Atheer, Muther Shokat. It shows the shareholding of the company.

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APPENDIX P

OTI Licenses

Note: Dr. Sudnick could not produce the Asia Cell license.

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