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Discussion Document

Task Force to Support Improved Business and Stability Operations in Iraq

Business Development Concept Document

Last Revision October 1, 2007

Agenda

What we’ve done

What we need to do

Where the sales opportunities are . . .

Barriers to sales and competitive success

The investment and privatization climate

A notional organization

Drilling into the three pillars: Export to the US

Activity to date:
- Multiple industry visits
- Outreach to the US Arab community
- Dialogue with US retailers
- Focus of TF BSO Pentagon

Successes to date:
- Shelmar order (approximately $10,000 booking, not yet delivered)
- Carpet orders

Pipeline Activity
- Small lots of textiles
- No buffaloes

Is it time to reduce emphasis?

Drilling into the three pillars: Regional Activity

Activity to date:
- Focused industry visits (the heavy metal tour)
- Sporadic contact with Iraqi private sector in Amman
- On-going contact with Al Anbar interests in Amman
- Connection with Kuwaiti First, multiple investor groups, and Agility in Kuwait

Successes to date:
- Hard booking of approximately $2 million of trucks and trailers from SCAI, but still not executed

Pipeline Activity
- First Kuwaiti interest in Iraqi items . . . Gloves, coveralls
- Where the buffalo roam!
  - Another $8 million in Agility trucks and trailers
  - Generators for Fallujah (loan from First Kuwaiti)
  - New Holland tractor distribution agreement with Modern Iraqi Company for Trading Agencies (based in Amman)
    - Initial distribution agreement (not finalized) for 200 tractors, $4 million
    - In early discussion of follow on for 2000 tractors, approximately $35 million
  - Daimler Chrysler Middle East, Scania Middle East, Daewoo (truck assembly)
  - Cummins Middle East at SCMI for generators
  - Construction materials (relaxation of export ban)
  - Scrap (export, but this is turning into a long shot)
  - Japanese Companies (Mitsubishi, Sojitz)
  - Ramadi Ceramics restart and training (Lebanon, Italy)

More emphasis on regional?

Drilling into the three pillars: Domestic Activity

Segmentation approach:
- Capture locally contracted Coalition spend
  - JCCI, AFCEE, ACE/GRD, MSTC-I
  - Reach to requirers . . . MND's, Information ops, PRT's, construction yards, etc
- Capture Coalition contractor spend
  - LOGCAP
  - Other large contractors
- Import substitution
  - TACOM, DLA, GSA

Activity to date:
- Majority of in theater activity

Successes to date:
- Lots of small buys at various locations
- Buffalo: over $10 million through SCAI

Pipeline Activity
- Lots of small opportunities
- Need to reset . . . Continue chasing individual deals, or realign as channel masters at the industry level?

In the words of Gerry Brown . . .

BD needs to . . .

- Continue to drive business

- Move companies to sustainability
  - Get the to make stuff that can be sold
  - Help them learn how to sell it
  - Get paid and make sure they use the money to make more stuff

- Focus on what's working . . . and stop doing what's not

Current Charter of Business Development

Objective: Capture demand ($) for Iraqi businesses, preferably Iraqi manufacturing enterprises. Wherever possible, tie to SOE targets of the spend plan.

- BizDev is sales & channel management, not order fulfillment. We are about identifying buyers, qualifying them, and getting them to place purchase orders.

- BizDev is working to develop the "model" for the successful buyer-seller relationship, i.e., private-public Iraqi partnerships for execution/delivery; licensing and agency relationships with Iraqi factories; integration of Iraqi factories into Requests for Proposals, etc.

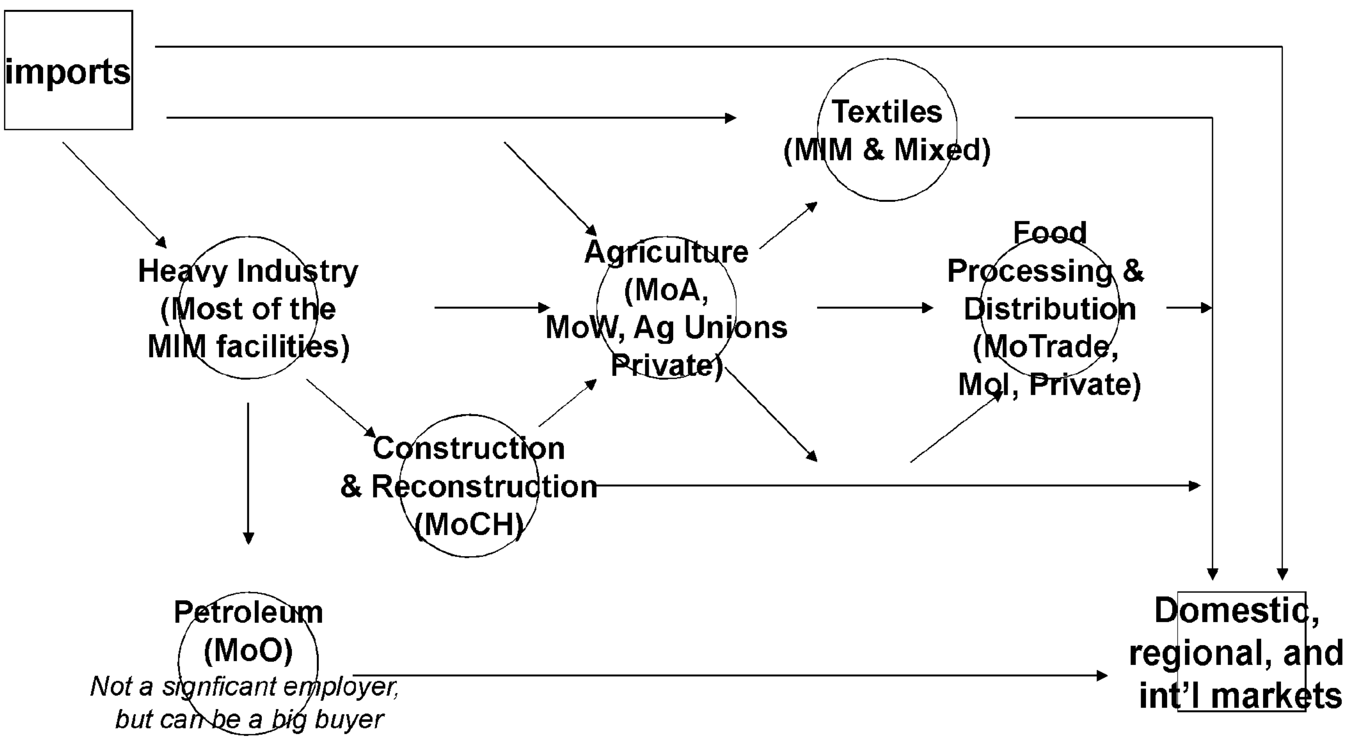
- BizDev focuses on the capture of demand that will drive employment in "areas of interest" to the security plan. Baghdad and the surrounding fault lines are of highest priority, followed by MND-C and MNF-W in general. The far south, the north, and the northeast are not priority areas

Questions for the “new” BizDev organization:

- Who provides technical support during the sales cycle?
- Once sales are executed, who does the oversight (mfg management, order management)
- Now that the spend plan is the focus of the remaining CSC resources, if process engineering work, capital investment, or source qualification work is required, where are the technical resources going to come from?
- Do we have the right players to pursue investment and privatization?

How does the charter need to morph as we look to the future, to include investment and privatization?

A conceptual model: the industries that matter to drive employment.
Does TF BSO need to shift to the right?



Do we need to broaden footprint with the ministries?
How do the PAC and the Industry Team collaborate?
Are there trade policy implications in addressing unemployment in Iraq?

Target Sources of Spending: Need to work top down

USG Contracting

- JCCI, CERP, ACE/GRD, AFCEE, TACOM, MNSTC-I, others
- Billions of dollars per year
- Only JCCI champions Iraqi First
- No emphasis on Iraqi manufactured goods, so usually imports are "washed" through trading companies and become Iraqi First. Minimal employment impact.
- No acquisition strategy to develop Iraqi manufacturing sources. Everything is a one-off event. Little active supplier development.
- No understanding of business constraints and challenges in Iraq. RFP's are issued on short cycles with delivery requirements that can only be met by sophisticated international concerns and that cannot be met under Iraqi regulation.

Military Supply System: Import substitution

- Hundreds of millions of dollars per year
- DLA, TACOM, GSA (there are others, but these are the big volume shippers)
- No concerted local sourcing efforts at headquarters.
- No Iraqi First programs

Prime Contractors

- Billions of dollars per year
- KBR, Dyncorp, others
- No incentives in LOGCAP to reward Iraqi First. No enforcement of Iraq First provisions in contract

Government of Iraq

- Billions of dollars per year
- Each Ministry operates independently
- No Iraqi First Program
- Widespread corruption

Barriers to Sales & Competitive Success

Iraqi Capabilities

- Limited understanding at the SOE level of sales, marketing, distribution, responsiveness, competition, or customer service.
- Manufacturing capability is decayed.
- Few globally or regionally competitive items manufactured in Iraq.

Iraqi Government Regulation and Policy

- Borders have been thrown wide open to international competition. Iraqi manufacturers must face off against China and India, among others.
- In those areas where Iraq can enter the global market and succeed, exports are banned (construction materials, scrap metal).
- Iraqi government laws rules, regulations, and procedures inhibit entrepreneurial behavior. Decision making remains heavily centralized.

US Government Policies

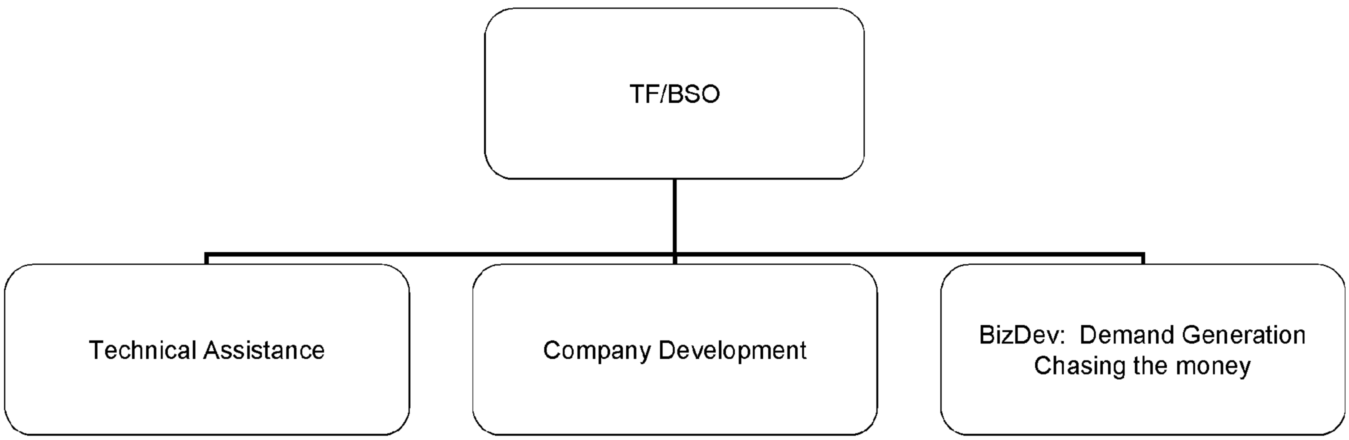
- International companies executing imports receive security assistance from the USG. Iraqi companies are on their own.
- International companies arriving at FOBs in government sanctioned convoys enjoy immediate access and entry. Iraqi companies must wait in line outside the wire, sometimes for days.
- TCN's are given favored treatment on bases, with easier access and more permissive rules once on base. It is tantamount to impossible for Iraqis to live and work on the FOBs.

The Investment and Privatization Climate

Barriers
- Insurance
- Banking
- Loans
- Rule of Law
- Limited skill set in the GOI to facilitate privatization

Opportunities
- The Iraqi industrial families . . . There are less than 40 who matter
- Kuwaiti investment pools
- International firms with historical relationships in Iraq
- Iran & Syria, but I doubt we want to go there

A notional structure for BizDev



Financial
- loans, investment, insurance, equity and cash management.
- Use people on Kris' team & PAC augmented with bankers and specialists

Operational
- What CSC is doing, with less emphasis on assessments and more emphasis on sales support

Portfolio Managers assigned to the Iraqi companies & international partners.
- Source identification
- Capacity development
- Proposal development
- Sales and marketing training
- Partner closely with channel managers

Channel Managers assigned to the target demand sources.
- Consultative selling
- Market development
- Alliance managers
- Acquisition strategies
- Partner closely with portfolio managers

Next steps?

Exhaustive portfolio review

- Sustainability
  - Management
  - Market
  - Operational effectiveness
- Criticality
  - Diyala
  - Baghdad
  - etc.
- Geography
  - Iraqi Kurdistan: do they need us?
  - Should we stop pursuing export to the United States?
  - Should we develop a focus on regional sales, or remain with regional development?

Staffing & Organization

- Roles and responsibilities
- Clear lines of authority
- Hires?
- Metrics good. Quotas bad.