



U.S. EMBASSY - BAGHDAD

## 2008 Provincial Reconstruction Team News

### -Rebuilding Iraq Requires Cement, PRTS Told-

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**Muthanna** - As demand increases in Iraq's new era of reconstruction, industry leaders in the cement business are keen to learn more about modern management and finance. They know that rebuilding Iraq requires lots of cement, and they are well positioned to make it happen.

Muthanna's plants produce some of the best quality cement in Iraq. But both major plants are today laboring under the burden of aging infrastructure and outdated management structures. They are both barely operating, and the industry is way under capacity. Annual demand in Iraq is 30 million tons and in-country production around 3million tons.



PRT industrial and business advisers meet with cement plant executives in Muthanna to discuss production expansion.

"Strategically, if the cement plants become viable to meet the country's growing needs, they can provide raw materials for infrastructure and, at the same time, produce meaningful full-time employment for young people." said Provincial Reconstruction Team (PRT) Leader Paul O'Friel.

With Muthanna's unemployment hovering around 60 per cent the need for economic development in Muthanna focusing on skills is noted not only by industrial leaders, but also by senior levels of the provincial government.

Importantly, the Muthanna Provincial Council's 2007 Provincial Development Strategy highlights the potential of the cement industry as a core economic generator.

At a recent PRT-hosted meeting with industrial leaders in the province -- following the traditional Iraqi protocols of greetings, handshakes, introductions, and tea -- a three-hour discussion focused on the key managerial elements of running a profitable industrial plant.

In both English and Arabic the general feeling expressed in the room was "let's go." It's time to put the pieces of the puzzle together, map out a path to getting the cement plants running at optimum capacity, meet the needs of the country, and make some money.

Representatives from Muthanna's two cement plants broke into two discussion groups.

## Organizational Management

Frank discussions focused on the realities in the cement plants. “We’re competent engineers, but we’ve been isolated from the outside world for more than 20 years,” said one executive in the planning session with local advisors from PRT Muthanna.

“We need new systems of planning and management” said another plant manager, requesting that further sessions be business focused.

Another cement plant executive spoke openly about the lack of maintenance planning in his company. “There are no spare parts, so we are always operating in a state of emergency on a razor-edge margin,” he said.

That the factories are still operating is a tribute to on-site ingenuity, PRT Industrial Advisor Adel Fadel said. He noted that a few best practices in organizational management and new ideas regarding responsibility and accountability could dramatically improve operations.

## Joint Venture Potential

PRT members said the sharing of business management concepts to complement existing technical knowledge is only part of the challenge to get cement flowing to projects that need it in Iraq. Capital partnership is essential to growth.

In separate discussions, PRT Business Advisor Richard Torborg and industry representatives discussed joint ventures as a way to bring in badly-needed capital and expertise. Torborg presented an overview of acquisitions, partnerships and joint ventures and how relationships can be developed and managed. The executives followed the presentation with intense interest because some of them are already engaged in preliminary discussions with potential foreign partners.

“Aging plant facilities, coupled with ready-made demand for cement is an excellent formula for the right business combinations,” Business Advisor Torborg observed. Joint ventures and partial equity stakes are typically used in these situations to marry capital and expertise to high demand markets.

There is great demand for cement in Iraq, especially the high grades for which the Muthanna plants are known, one Iraqi engineer stressed. Industrial Advisor Fadel observed that when you invest in cement production you make money, to which an Iraqi executive replied “cement is just like petroleum – instant profits.”