



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

THE DIRECTOR

January 5, 2004

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed you will find the first in a series of quarterly reports required by Section 2207 of the Emergency Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, FY 2004. The report relies on the capable planning and analysis of the Coalition Provisional Authority in Baghdad and reflects the priorities Ambassador Bremer has identified as essential to Iraq's security, political stability and economic growth.

As you know, soon after the President signed the Act, the Coalition Provisional Authority and the Governing Council agreed to accelerate the process by which sovereignty would be transferred to the Iraqi people. This decision has resulted in a revision to the Administration's preliminary plans for investments of Supplemental funding. The enclosed report reflects some shift in emphasis to expand and accelerate democracy-building initiatives, and it notes a greater concentration of resources on local, facilities, and community security efforts. We expect conditions on the ground to continue to change. As they do, we will advise the Congress and update this report to reflect appropriate spending adjustments.

The enclosed report is organized by projects or programs within each sector and provides our current cost estimates for each quarter in our fiscal year 2004, as well as follow-on 2005 planning. The report focuses primarily on the uses of the Supplemental funds appropriated by the U.S. Congress. The Coalition Provisional Authority is working with donors to develop their plans to contribute to Iraq's future. While pledges at the October International Donors Conference in Madrid were significant, this planning is in the early stages, so detailed information on what activities other nations will support is not yet available.

Funds provided in the FY 2003 Emergency Supplemental Appropriations Act were subject to reporting provisions in section 1506 of that Act that are similar to the requirements in section 2207 of the current FY 2004 Act. I believe the enclosed report reflects the information required by both statutory provisions.

Sincerely,

Joshua B. Bolten
Director

Identical Letter Sent to The Honorable David R. Obey, The Honorable Ted Stevens, and
The Honorable Robert C. Byrd



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Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

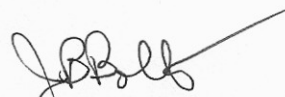
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