



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

THE DIRECTOR

July 14, 2003

The Honorable Bill C.W. Young
Chairman
Committee on Appropriations
United States House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the President, I am submitting the second in a series of reports required under Section 1506 of the Emergency Wartime Supplemental Appropriations Act, 2003.

As noted in the report, we have moved from an emphasis on immediate relief operations and are now engaged in a wide variety of reconstruction activities including restoration of the electric grid, repair of the water and sanitation infrastructure, and assuring the delivery of critical health care. We have also resumed the food distribution system which is now reaching all Iraqis in need.

There are a number of key tasks ahead including restoring law, order, public safety and self-government, implementing judicial reforms and regenerating economic activity and growth. We will look forward to working with the Congress as we proceed with this crucial work.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Bolten", with a long, sweeping flourish extending to the right.

Joshua B. Bolten

Identical Letters Sent To The Honorable David R. Obey, The Honorable Robert C. Byrd,
And The Honorable Ted Stevens

Report to Congress
Pursuant to Section 1506 of the Emergency Wartime Supplemental
Appropriations Act, 2003
(Public Law 108-11)

90 DAY UPDATE REPORT ON
UNITED STATES STRATEGY FOR
RELIEF AND RECONSTRUCTION IN IRAQ

Section 1506 (b) of the Emergency Wartime Supplemental Appropriations Act, 2003, (117 STAT. 580) provides:

(b) SUBSEQUENT REPORTS- Not later than 90 days after the date of enactment of this Act, and every 90 days thereafter until September 30, 2004, the President shall submit to the Committees on Appropriations a report that contains:

(1) A list of significant United States Government-funded activities related to reconstruction in Iraq that, during the 90-day period ending 15 days prior to the date the report is submitted to the Committees on Appropriations--

(A) were initiated; or

(B) were completed.

(2) A list of the significant activities related to reconstruction in Iraq that the President anticipates initiating during the 90-day period beginning on the date the report is submitted to the Committees on Appropriations, including:

(A) Cost estimates for carrying out the proposed activities.

(B) The source of the funds that will be used to pay such costs.

(3) Updated strategies, if changes are proposed regarding matters included in the reports required under subsection (a).

(4) An updated list of the financial pledges and contributions made by foreign governments or international organizations to fund activities related to humanitarian, governance, and reconstruction assistance in Iraq.

The report that follows has four sections that correspond to the four specified categories listed in section 1506(b).

On June 2, 2003, the Administration submitted the initial report required by Section 1506 of the Emergency Wartime Supplemental Appropriations Act, 2003. As noted in this initial report on U.S. strategy for relief and reconstruction in Iraq, U.S. policy goals for the recovery of Iraq remain to:

- Establish a secure environment for the Iraqi people and the conduct of relief and recovery activities;
- Achieve measurable improvement in the lives of the Iraqi people;
- Maximize contributions from other countries and organizations;
- Prepare the Iraqis for self-government.

Security continues to be the top Coalition priority. Security is the foundation for success of reconstruction efforts in Iraq and a fundamental task in our administration of Iraq. We have made significant progress since the collapse of the Iraqi regime, but substantial challenges remain.

The security situation in Iraq is complex. In some areas, the security environment is generally permissive -- there is reasonable freedom of movement, recovery activities proceed without significant hindrance, and Coalition forces are engaged in stability operations. In other areas, the environment is less permissive and Coalition forces are engaged in combat operations against remnants of the Baathist regime.

The Coalition's approach to establishing security in Iraq is multifaceted, but a key component is engaging Iraqis to assist in providing for the security of their own country. The Coalition has moved to establish Iraqi police forces and shortly will begin recruiting, vetting, and training the first members of a new Iraqi Army. Security forces for ministries and for other purposes -- for example, port security -- are being screened, hired, and trained. These significant activities are described further in this report.

1. A list of significant United States Government-funded activities related to reconstruction in Iraq that, during the 90-day period ending 15 days prior to the date the report is submitted to the Committees on Appropriations—

(A) were initiated; or

(B) were completed.

Significant activities. The initial phase of relief and recovery activities to improve the lives of Iraqis has focused on providing basic services, delivering utilities, and reestablishing law and order. It is important to note that, thus far, there have been no humanitarian disasters of the type that had been predicted. There is no food crisis, no refugee crisis, and no crisis in public health.

Since the creation of the Coalition Provisional Authority (CPA), the Administrator of the CPA has had the primary responsibility for identifying requirements for relief and reconstruction in Iraq, and for overseeing, directing, and coordinating all U.S. Government programs and activities in Iraq, except those under the command of the Commander, U.S. Central Command. Significant activities during this first phase, by sector, include:

Food. The near-term focus has been on food distribution. Over one million metric tons of food (much of it U.S. purchased or donated) has been delivered to Iraq since the war. Another 2.2 million metric tons will reach Iraq by the end of October. In June, the CPA, working with the UN World Food Program, successfully restarted the public food distribution system. This system will now reach all Iraqis -- even those excluded under the Saddam regime. These activities will continue until Iraq becomes more self-sufficient and transitions to a more market-based system. As an important step, the CPA, working with the Iraqi Trade Ministry, the World Food Program, and the Food and Agricultural Organization, has bought Iraqi harvests at a fair price, and so far has purchased about 150,000 metric tons of wheat and 20,000 metric tons of barley.

Health. The immediate focus in this area has been on rapid return to at least pre-war healthcare levels throughout Iraq. Pre-war health conditions were poor and the medical infrastructure was degraded by looting in the immediate aftermath of conflict. The public health situation is improving throughout the country and there are no significant health crises. The CPA activities have focused on working with the Ministry of Health to ensure that basic healthcare services are available to all Iraqis. Today, nearly all of Iraq's 240 hospitals, 10 specialty centers, and more than 1,200 clinics are open and receiving patients. Services at these facilities are at approximately 90 percent of their pre-war levels in the Kurdistan regions, 80 percent of pre-war levels in the South, and 70 – 75 percent of pre-war services in Baghdad. Preventive services also have been initiated, beginning with National Immunization Day on June 22. This program will be continued every month, providing protection against disease to all children of Iraq.

Iraq's pharmaceutical and medical supply distribution system, known as Kimadia, is functional again under the auspices of the Ministry of Health, and over 1,500 tons of supplies have flowed to hospitals, clinics, and warehouses throughout the country. An Iraqi International Medical Assistance Committee (IMAC) is established and coordinating incoming offers of assistance and supplies from non-governmental organizations throughout the world. This Committee ensures that donations are carefully vetted and targeted to existing needs. However, extensive looting and a decade of governmental neglect have caused major infrastructure challenges that must be addressed. Facilities and basic medical equipment are in need of maintenance and repair. In Baghdad, the CPA has purchased new generators for hospitals and has begun renovation of the Ministry of Health headquarters. The Senior Advisor for the Ministry

of Health is coordinating an overall assessment of health care needs throughout the country and is focusing all available resources on the pressing infrastructure needs.

Power. The CPA efforts have aimed at rapidly achieving pre-war power levels throughout Iraq. Pre-war planning limited damage to the electrical system during the conflict, but restoring electricity has been challenging because the pre-war power infrastructure was a dilapidated, fragile, patch-work system. This system has become even more unstable due to the continuing, targeted sabotage of power lines and stations and looting of spare parts and computers. Much of Iraq is now at or above pre-war power availability, with Baghdad the notable exception. Power availability in Baghdad has averaged about 1,000 megawatts per day over the last several weeks, up from 300 megawatts at the end of major combat, but well below the approximately 2,500 megawatts per day pre-war. Outages in specific areas also have ripple effects in other sectors such as water and oil. The CPA is working through a USAID contract and with the Iraq Electricity Commission to improve power generation in the short term and repair the power infrastructure for the longer term.

Water and Sanitation. The focus of activities has been on increasing water supplies to pre-war levels and restoring sewage treatment plants to operation. Much of Iraq is at or near pre-war water availability, and there are no critical water shortages. Baghdad water supply levels have plateaued at about 1,600 million liters per day, less than the pre-war level of 2,000 million liters, but adequate to avoid critical shortages. The CPA is working through a USAID contract to increase water supply to East Baghdad by 45 percent (increasing water supply to Baghdad by 15 percent overall) and to rehabilitate water treatment facilities supplying Basra. The CPA and several international organizations have also funded sewer and sewage treatment repairs.

Oil and Fuels. Activities have aimed to restore Iraqi oil production as rapidly as possible. Limited Iraqi oil exports resumed on June 22, 2003, when oil stored at Ceyhan, Turkey, was loaded on tankers. This freed up storage space removed one limiting factor on production. Crude oil production was about 750,000 barrels per day in late June and is expected to exceed 1 million barrels per day by late summer -- but this production level will depend on many variables, including security of the oil infrastructure. While oil production is coming on line, CPA activities have also focused on ensuring adequate supplies of fuels for the Iraqi people such as gasoline and liquid petroleum gas (LPG). Daily gasoline supply fluctuates between 50 – 100 percent of pre-war consumption, and is expected to equal or exceed pre-war consumption by late July. The LPG supplies are expected to reach about 95 per cent of pre-war levels via increased imports by late July.

Public Safety/Law and Order. The CPA activity has focused on vetting, hiring, training and deploying Iraqi police forces and other security forces to assist in establishing a secure and permissive environment. The CPA has recalled to duty over 30,000 police officers, is refurbishing police academies in Baghdad and Basra, is equipping 26 police stations in Baghdad, and in May began joint Iraqi-Coalition patrols. After extensive

looting, CPA has had to provide virtually all equipment, uniforms and office supplies to stand up the police capability. In Baghdad, 33 police stations and 3 police divisions are now operating 24 hours a day resulting in a dramatic increase in daily patrols. The CPA and Coalition forces created an armed port security force for Um Qasr port, and are beginning to create security forces for various ministries. Rebuilding Iraqi police forces has been a challenge because the existing force was poorly trained, ineffective, and widely distrusted. But the creation and training of responsible public safety forces are indispensable to long-term progress in Iraq. To address the police situation, former New York City Police Commissioner Bernard Kerik was appointed to serve as CPA's Senior Policy Advisor overseeing the police, fire, borders, customs, and immigration organizations. Mr. Kerik's team recently completed a study that recommended the creation of a 50-80,000 member Iraqi police force. This force would be trained and supervised by international police advisors.

Justice Reform. The CPA has undertaken a number of initiatives directed towards instituting the rule of law in Iraq and building public confidence in the legal system. On June 9, 2003, the CPA suspended certain criminal laws that violated fundamental human rights, such as the offense of insulting a public official.

On June 18, 2003, the CPA issued procedures for applying criminal law in Iraq. These procedures used the Iraqi Law on Criminal Proceedings of 1971, as amended by CPA, as its basis. These criminal procedures recognized that the effective administration of justice must consider:

- (a) the rehabilitation of the Iraqi investigative and trial capability;
- (b) the continuing involvement of Coalition forces in providing critical support to many functional aspects of the administration of justice;
- (c) the need to transition from this dependency on military support;
- (d) the need to modify aspects of Iraqi law that violate fundamental standards of human rights;
- (e) the ongoing process of security internee management as provided for by the Fourth Geneva Convention; and
- (f) the possibility of the exercise of jurisdiction by Coalition authorities regarding the commission of war crimes against Coalition forces.

The new procedures established certain fundamental legal rights, including that confessions extracted by torture will be inadmissible as inculpatory evidence under any circumstances; previously, such confessions were admissible if corroborated by other evidence, even if that other evidence was obtained through torture.

The Administrator has also established a Judicial Review Committee to examine all judges and prosecutors nationwide for complicity in the crimes of the former regime, corruption, or other malfeasance and to remove all offenders. These problems were endemic under the former regime and eradicating them is crucial to public faith in the justice system. A Central Criminal Court of Iraq has been created as a model of procedural fairness and judicial integrity. Repairs and rehabilitation are underway or complete on many court and prison facilities severely damaged by looting, war damage, or neglect by the prior regime.

Restoring Economic Activity. Moving beyond the initial phase of relief and recovery activities, economic regeneration is the key driver in the overall process of rebuilding Iraq and will provide the most tangible evidence of progress made by the CPA and the Interim Administration. Iraq's assets -- its physical resources and its skilled, energetic people -- create opportunities for Iraq as a nation. The potential benefits to the Iraqi people are huge. The CPA's priority will be to encourage rapid transition to an economy guided by free market principles. These have been shown, in case after case, to offer the quickest way to generate efficient and job-creating economic activity. The Coalition must also make the case for the role of foreign investment in the development of Iraq. At the same time, it will be essential to put in place an adequate social safety net to protect those disadvantaged by rapid change.

During the past 30 days, the Administrator of the CPA announced a \$100 million Construction Program initiative as a means to rejuvenate the construction industry and leverage the effects of the jobs it creates to get the economy moving forward. This Construction program, the Division/Brigade Commander and Regional Director Emergency Response Programs, the salary and pension payments program, other critical infrastructure reconstruction programs, and Ministry operations and capital expenditure programs -- all underpinned by the CPA and Coalition Joint Task Force 7 (CJTF-7) efforts to help ensure security -- are contributing to economic restoration.

Sources of funds. Through the end of June, the U.S. Government has allocated approximately \$2.7 billion of funds (U.S.-appropriated and Iraqi seized and vested) for relief and reconstruction activities in Iraq, including the significant activities noted above. The \$2.7 billion allocation covers the following activities. A more detailed table is attached.

- \$730 million for relief efforts to reestablish food distribution, provide medical supplies, purchase fuels, and provide other humanitarian efforts.
- \$400 million for emergency payments and salaries for civil servants and other workers in various sectors and for pensioners.

- \$1.37 billion for reconstruction activities including reestablishing critical services (water and sanitation services, electricity), ministries, oil production, and security forces.
- \$200 million for activities that support operation of the Coalition Provisional Authority.

Sources of the \$2.7 billion for these activities include:

- Iraqi state assets – both vested and seized -- totaling about \$750 million as of June 30th. The Iraqi assets are being used to finance the salaries of Iraqi civil servants, regular payments for Iraqi pensioners, construction program projects, and other critical relief and reconstruction activities in direct support of the Iraqi people.
- U.S.-appropriated funds totaling about \$2.0 billion for relief and reconstruction efforts. Thus far, the U.S. Agency for International Development (USAID) and the Department of Defense have been the channels for the majority of this U.S. financial support.

Appropriated funds are contributing to the relief and reconstruction efforts in the following ways:

- USAID has allocated approximately \$1.4 billion. \$740 million was drawn from the \$2.475 billion appropriated in the Iraq Relief and Reconstruction Fund. The balance was drawn from the Emerson Trust and borrowing from USAID accounts before the war. All planned reimbursements have now been made. USAID has used these funds to restore economically critical infrastructure in Iraq including establishing emergency telecommunications, water, sanitation, and electricity services, food distribution, and transportation capability.
- The Department of Defense has allocated approximately \$460 million for reconstruction efforts in Iraq, which includes repairing damaged oil facilities and related infrastructure and preserving the oil distribution capability in Iraq, contracting for trainers for the New Iraqi Army, and providing direct support to the Administrator and CPA staff overseeing the reconstruction of Iraq.
- Of the \$66 million for the Department of State, over \$40 million has been allocated for relief efforts of the UN, International Organization for Migration, and International Committee of the Red Cross. Additional funds will follow to support ongoing humanitarian efforts of the UN and the ICRC as well as the return and reintegration of displaced Iraqis.
- The Department of the Treasury has provided \$2.2 million for activities within its field of expertise.

At the end of June, the balance in the Development Fund for Iraq (DFI) account was approximately \$1.071 billion, consisting of the transfer from the United Nations of \$1 billion from the Oil for Food escrow account, \$1 million of earned interest, and \$70 million of proceeds from the sale of wheat. The Administrator of the CPA intends to deposit into the DFI: (1) 95 percent of the proceeds from the sale of petroleum, petroleum products, and natural gas; (2) any returned Iraqi assets provided by UN member states; and (3) funds attached to Oil for Food contracts that are not prioritized or executed by November 21 and for which letters of credit have expired. Foreign governments have frozen approximately \$2.9 billion in Iraqi assets to date, but none of these funds have been deposited in the DFI. To date, no funds have been expended from the DFI.

The projected estimate of revenue from the sale of Iraqi oil through September 2003 is approximately \$1 billion, based on the current market price. As stated in the initial report, all DFI resources will be used for the humanitarian needs of the Iraqi people, for economic reconstruction and repair of Iraq's infrastructure, for continued disarmament of Iraq, for the costs of an Iraq civilian administration, and other purposes benefiting the people of Iraq.

On June 25, 2003, the United States and the United Kingdom, with participation by the CPA staff from Baghdad via telephone, met in Washington with representatives from the United Nations, the World Bank, the International Monetary Fund, and the Arab Fund for Social and Economic Development to discuss terms of reference for the International Advisory and Monitoring Board (IAMB). The practice will be to have the IAMB approve independent public accountants to audit the DFI and export sales of petroleum, petroleum products and natural gas in support of the objective of ensuring that the DFI is used in a transparent manner and that such export sales are made consistent with prevailing international market best practices.

Efforts continue to authenticate and make available the Iraqi state and regime-owned assets brought under control in Iraq by U.S. forces. On June 25, 2003, the United States provided three machines to authenticate the approximately \$800 million in U.S. dollars that were found in Iraq. A total of \$799,728,061.47 has been verified as legitimate and taken into account. Eight hundred and five individual \$100 banknotes (\$80,500) are awaiting further examination by the U.S. Secret Service. An additional \$7,100,300 could not be authenticated because the notes were wet and damaged. These notes were hand counted and still must be authenticated. The Department of Defense is coordinating with the U.S. Federal Reserve to exchange these damaged notes for quality notes that can be utilized.

An additional 1,100 gold-colored metal bars were recovered in Iraq. They are being secured in Iraq while a random sample is being brought to Kuwait to assay. Analysis of the initial sampling of ingots revealed they were comprised of approximately 64 percent

copper and 34 percent zinc. Consultation with metallurgists indicates the bars analyzed to date are most likely melted-down shell casings. The total number of metal bars recovered is now 4,450. All the bars currently located at Camp Arifjan are being sent to Baghdad, where they most likely will be stored within one of the Ministry of Industry and Materials facilities until their final disposition is determined.

2. A list of the significant activities related to reconstruction in Iraq that the President anticipates initiating during the 90-day period beginning on the date the report is submitted to the Committees on Appropriations, including:

(A) Cost estimates for carrying out the proposed activities.

(B) The source of the funds that will be used to pay such costs.

The Administrator of the Coalition Provisional Authority has the challenging task of managing the recovery of Iraq not only from war but also from 30 years of mismanagement and systematic oppression by the former regime. The Administrator is developing a strategic plan for reconstructing Iraq and is coordinating and developing numerous proposed projects through the CPA organization that he has established and continues to build. The CPA includes representatives from Coalition partners and all U.S. Government Federal agencies involved in the in-theater operations. During the next 90 days, the CPA will continue to focus on activities that include the following. A more detailed table is attached.

Continuing to improve relief and recovery activities begun in the first phase of reconstruction in Iraq. These include the near-term priorities of providing relief (food, health services) and reestablishing critical services (power, water, sanitation) for the Iraqi people. The CPA will continue to pay civil servants and pensioners; to provide further improvements in the water, sanitation, electricity, communications, medical and health, education, justice, police, prison and firefighting services; to continue repairs to the transportation services including roads, railroads, and airports; and to continue reconstruction of the oil infrastructure and preservation of oil distribution capability so oil proceeds can be used to finance critical requirements of the Iraqi people.

Restoring economic activity. The CPA will continue to execute the \$100 million Construction Program, the Division/Brigade Commander and Regional Director Emergency Response Programs, salary and pension payments programs, and other critical reconstruction projects. High priority efforts are underway to prepare facilities to recruit, equip, sustain, and train the New Iraqi Army. Also, on July 15, 2003, the CPA will initiate monthly stipend payments to former members of the Iraqi Army. The CPA will also complete coordination and vetting of the national police plan mentioned earlier in this report. Coordinated execution of the recruiting, training, and employment of facilities security guards will also continue as a high priority. The CPA has formally

reestablished the Central Bank of Iraq and will continue to establish additional branches of the Rafidain and Rasheed banks. The Administrator has made the Central Bank independent of the Ministry of Finance.

Expanding security. One of the CPA's major initiatives is to establish a New Iraqi Army that will help provide for the military defense of the country and, as units become operational, will assume military security duties now being performed by Coalition forces. The old Iraqi military forces disintegrated with the collapse of organized military resistance; virtually all installations and equipments that were not destroyed in the fighting were looted or stolen. The CPA formally disbanded the former Iraqi military and security services and is currently working on the creation of a New Iraqi Army. The current plan is to build a force of about 40,000 members (roughly 3 divisions) over 2 years as the nucleus of the national armed forces of the new Iraq. The first battalion will begin training this month. A U.S. company will conduct the day-to-day training under the supervision of a coalition military assistance training team, which will be commanded by a U.S. major general and will include officers from the United Kingdom, Spain, and other coalition countries. This team is leading the effort, including finalizing recruiting, vetting, and training activities. Former Iraqi military personnel are also being hired as police, security guards, and workers to support engineering and construction activities, and some are being hired in the private sector. During an interim period, and subject to a decision by the future Iraqi government, the CPA will provide monthly stipends to most former career military personnel. These stipends will be paid from Iraqi funds. Former members of the Special Republican Guard and the intelligence and internal security services will not be eligible for these payments.

3. Updated strategies, if changes are proposed regarding matters included in the reports required under subsection (a).

The strategy to achieve U.S. policy goals in Iraq continues to focus on a coordinated interagency effort in the United States and on the ground in Iraq that is integrated with Coalition and other international efforts. In Iraq, the CPA is the focal point for interagency and international coordination to determine requirements for reconstruction and to oversee resulting activities.

Coalition Provisional Authority. The duties and responsibilities of the Administrator of the CPA described in section 1 of the initial report have not changed. Since that report, the Administrator has continued to build up the CPA organization and hone its structure and responsibilities (the latest CPA organization chart is attached). In addition to those mentioned above, CPA has established and promulgated regulations for two major initiatives, the Program Review Board and the Council for International Coordination.

The Program Review Board (PRB) was established on June 15, 2003, and is responsible for recommending expenditures of resources from the Development Fund for Iraq and other resources such as seized and vested Iraqi state or regime funds and U.S.

appropriated funds. In making its recommendations, the PRB is responsible for reviewing all the identified requirements, prioritizing these requirements, and integrating the prioritized requirements into an overall funding plan. The PRB reports directly to the Administrator of the CPA. The Board is comprised of voting and non-voting members. Voting members include the Chairman (appointed by the Administrator of the CPA), the heads of specific CPA directorates (Economic Policy, Civil Affairs Policy, Agency for International Development Iraq mission, Operations, and Security) as well as authorized representatives of the Commander of Coalition Forces, Iraqi Ministry of Finance, United Kingdom, Australia, and the Chairman of the Council for International Coordination. Non-voting members include the CPA Comptroller as well as representatives from the U.S. Office of the Secretary of Defense, the International Monetary Fund, the World Bank, and the UN Special Representative of the Secretary General for Iraq.

The Council for International Coordination (CIC) was established on June 17, 2003 as an organization to work on behalf of the CPA to support, encourage, and facilitate international participation in the relief, recovery and development efforts in Iraq. The responsibilities of the CIC (referred to as the International Coordination Council in the initial report pursuant to Section 1506 of the Emergency Wartime Supplemental Appropriations Act, 2003) include coordinating international assistance from states and international and non-governmental organizations and making recommendations to the PRB on international assistance efforts in Iraq; and identifying international expertise -- as well as recommendations for using this expertise -- to the Administrator. The Council is not responsible for security matters such as the establishment of Iraqi police capacity or the New Iraqi Army. The CIC reports directly to the CPA Administrator and is comprised of representatives from coalition members and other countries that support CPA goals and possess expertise or other resources that will assist in furthering the purposes of the Council. The current Chairman of the CIC is Former Deputy Prime Minister Marek Belka of Poland.

International Military Contributions and Participation. Section 2 of the initial Section 1506 report described the roles and responsibilities of foreign governments and non-governmental organizations in post-conflict Iraq. It also detailed some of the major military and humanitarian contributions that countries were providing. Since the initial report, coalition military forces have continued to plan, coordinate, and execute the deployment of international military forces into Iraq. Multinational divisions under the lead of the United Kingdom and Poland are being established at present. Numerous countries, including Spain, Italy, the Netherlands, Slovakia, Denmark, Ukraine, Hungary, Honduras, El Salvador, and the Dominican Republic, have offered to send forces to help populate these divisions. Numerous countries are considering making force contributions, but the types of units and numbers of personnel are matters that remain to be worked out. Others have provided liaison officers to the Coalition military forces in

Iraq. The international humanitarian, financial, or other contributions to post-conflict Iraq are discussed in Section 4 of this report.

U.S. Interagency and International Coordination. Section 3 of the initial Section 1506 report described the strategy for coordinating post-conflict activities in Iraq among the U.S. Government, foreign governments and international organizations. The strategy to achieve U.S. policy goals in Iraq continues to focus on a coordinated interagency effort in the United States and on the ground in Iraq that is integrated with Coalition and other international efforts. In the United States, department and agency representatives coordinate daily on Iraq issues. There is close coordination among the Department of State, the Department of Defense, including the Joint Staff, the National Security Council staff, the Department of the Treasury, the Department of Justice, USAID, the Central Intelligence Agency, OMB, and the Coalition Provisional Authority. In addition, the DoD leadership is establishing an office to give greater capacity for the CPA to reach back to Washington for some assistance or capability that it needs in country.

In Iraq, the CPA is the focal point for interagency and international coordination to determine requirements for reconstruction and oversee resulting activities. The CPA staff is entirely interagency in character with representatives from the Departments of State, Treasury, Justice and Defense, and at least 13 other executive branch agencies providing support. The relationship between the CPA and non-U.S. Coalition governments on assistance issues is handled through the Council for International Cooperation. As discussed previously, this Council is the principal vehicle to coordinate coalition assistance support to the CPA. There are numerous embedded Coalition personnel in the CPA staff. The Deputy Director for Security Affairs is Spanish, for example, and there are a number of British, Canadian, Australian, and other personnel serving on the CPA staff.

One additional and extremely important change since the initial Section 1506 report is the level of coordination between the CPA and Coalition Joint Task Force 7 (CJTF-7), the military force in Iraq. The CPA and the headquarters of CJTF-7 are now co-located in Baghdad. This proximity is critical for daily interactions and coordination on security issues. There are also a number of military liaisons on the CPA staff. This high level of civil-military coordination will have a significant positive impact on coalition efforts to stabilize the country and improve the quality of peoples' lives in Iraq.

4. An updated list of the financial pledges and contributions made by foreign governments or international organizations to fund activities related to humanitarian, governance, and reconstruction assistance in Iraq.

The United Nations, other international institutions, the United States, and other leading donors continue to urge all nations to contribute to fulfill the needs of the Iraqi people in

any way they can. This has garnered a strong response from the international community, with over 70 countries coming forward to offer either cash or in-kind assistance for humanitarian, stabilization or reconstruction efforts. At the time of the initial Section 1506 report, offers of cash and in-kind assistance from the international community exceeded \$1.9 billion. About \$790 million of that amount was in response to a Flash Appeal for \$2.2 billion made by the United Nations in March 2003 to meet urgent humanitarian requirements in Iraq. The remaining \$1.1 billion in assistance had been offered outside of the March Flash Appeal.

On June 24, representatives of 52 donor states, the CPA, UN agencies and the international financial institutions (IFIs) gathered in New York for the UN-hosted “Technical Consultations on Reconstruction Needs for Iraq.” The meeting was the first major international meeting following the liberation of Iraq to focus on how the global community -- governments, IFIs and the UN – can help Iraqis rebuild their country. The consultations, which included strong Iraqi participation with the CPA delegation, demonstrated international support for Iraq’s democratic and economic transformation, helped reconnect Iraq to the world community, and launched the process for an international donors’ conference. Attendees agreed to convene a donors’ pledging conference in October, to complete a needs assessment prior to that, and to create a steering group of the US, European Union, Japan and the United Arab Emirates to work with the UN, World Bank and IMF in organizing the conference. They also agreed to form a liaison group of a larger group of donor countries that are interested in contributing to the rebuilding of Iraq.

As of June 28, 2003, contributions have increased by \$400 million to \$2.3 billion in total offers of assistance. Of that amount, \$2.0 billion in humanitarian assistance has been offered/donated in response to the March UN Flash Appeal, meeting 90 percent of the total \$2.2 billion Appeal. On June 23, 2003, the United Nations issued another flash appeal for an additional \$259 million in immediate humanitarian assistance, bringing the total appeal for the Iraqi people to \$2.459 billion.

As anticipated, the passage of UNSCR 1483 provided an important international signal that fostered more contributions from both public and private donors. Since the initial Section 1506 report submitted in early June, there have been both increases in the total contributions and shifts in the patterns of contributions. The most notable change is the increase in contributions from private sources, non-governmental organizations, and international organizations. These contributions now total over \$1.1 billion in assistance, which is primarily within the UN appeal. For bilateral donors there have been increases as well. In all, 29 countries have made pledges or contributions within the UN appeal, and additional countries have made pledges or contributions outside of the UN appeal.

The initial report included examples of the international pledges and contributions. The following are the top 10 public bilateral pledges and contributions (plus the European Commission) to date (June 28, 2003):

<u>Country/Organization</u>	<u>(Dollars in Millions)</u> <u>Pledge/Contribution</u>
United States	\$565.3 *
United Kingdom	\$177.1
Japan	\$101.8
Australia	\$60.5
United Arab Emirates	\$47.6
Canada	\$41.2
Saudi Arabia	\$36.6
Spain	\$32.3
Kuwait	\$27.5
The European Commission	\$26.3
Italy	\$22.4

*Humanitarian assistance pledge

Over the course of the summer, new offers of humanitarian assistance will begin to ebb as the emphasis shifts away from strictly humanitarian assistance to medium to longer-term development. Critical to that evolution will be more sophisticated needs assessments prepared by the United Nations and the World Bank, with significant input from the Coalition Provisional Authority. Specifically, the CPA will be working over the next several months to develop an operating budget for Iraq that will identify funding gaps requiring international support. That guidance will be critical to the conference for donors scheduled for the fall of 2003. Usually there is a surge in contributions following scheduled conferences for donors.

IRAQ RELIEF & RECONSTRUCTION FUNDING								
Balances				APPROPRIATED ASSETS				TOTAL
	Vested	Seized	Development Fund for Iraq	Iraq Relief and Reconstruction Fund	Non-IRRF Accounts (net of IRRF reimbursements)	Iraq Freedom Fund*	Natural Resources Risk Remed. Fund**	
Beginning Balance	1,749.1	799.7	1,071.0	2,475.0	529.2	599.0	502.5	7,725.4
Amounts Apport/Auth	(564.0)	(184.5)	0.0	(954.1)	(529.2)	(206.4)	(252.0)	(2,690.2)
-- Department of Defense	(564.0)	(184.5)	0.0	0.0	0.0	(206.4)	(252.0)	
-- Department of State	0.0	0.0	0.0	0.0	(66.4)	0.0	0.0	
-- USAID	0.0	0.0	0.0	(742.1)	(672.5)	0.0	0.0	
-- Reimbursement (USAID)***	0.0	0.0	0.0	(212.0)	212.0	0.0	0.0	
-- Department of Treasury	0.0	0.0	0.0	0.0	(2.3)	0.0	0.0	
Balance after Current Activities	1,185.1	615.2	1,071.0	1,520.9	0.0	392.6	250.5	5,035.3
Anticipated Activities	(646.5)	(417.4)	(210.0)	(19.3)	0.0	(392.6)	(250.5)	(1,936.3)
-- Department of Defense (est.)	(646.5)	(417.4)	(210.0)	0.0	0.0	(392.6)	(250.5)	
-- Department of State (est.)	0.0	0.0	0.0	(13.3)****	0.0	0.0	0.0	
-- USAID (est.)	0.0	0.0	0.0	****	0.0	0.0	0.0	
-- Department of Treasury (est.)	0.0	0.0	0.0	(3.8)	0.0	0.0	0.0	
-- Reimbursement	0.0	0.0	0.0	(2.3)	0.0	0.0	0.0	
Balance after Anticipated Activities	538.6	197.8	861.0	1,501.6	0.0	0.0	0.0	3,099.0

NOTES:

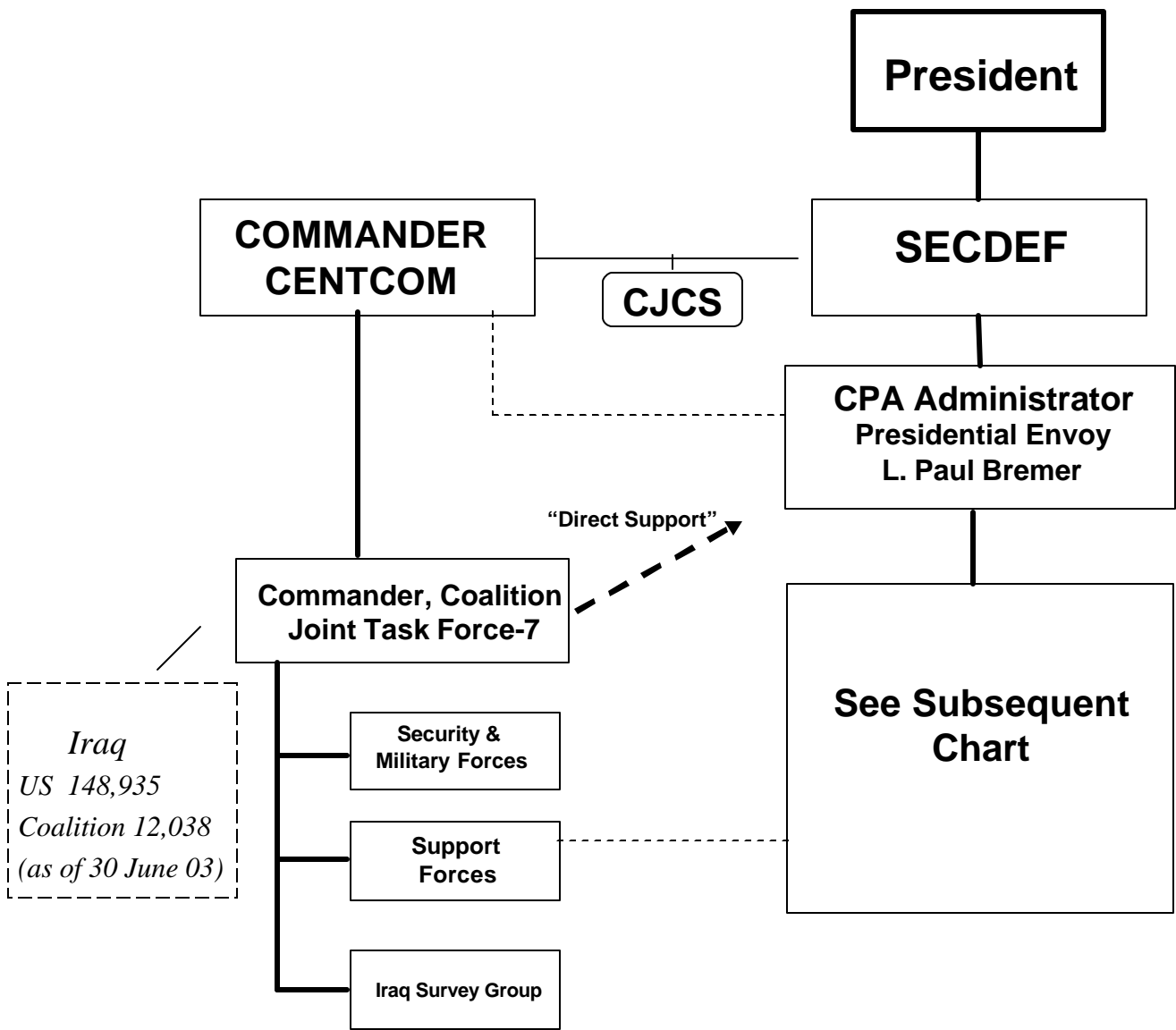
* \$15.7 billion was appropriated to the Iraqi Freedom Fund. DOD has designated \$599 million for support to CPA's headquarters activities.

** Beginning Balance includes \$13.218 million from the Defense Cooperation Account

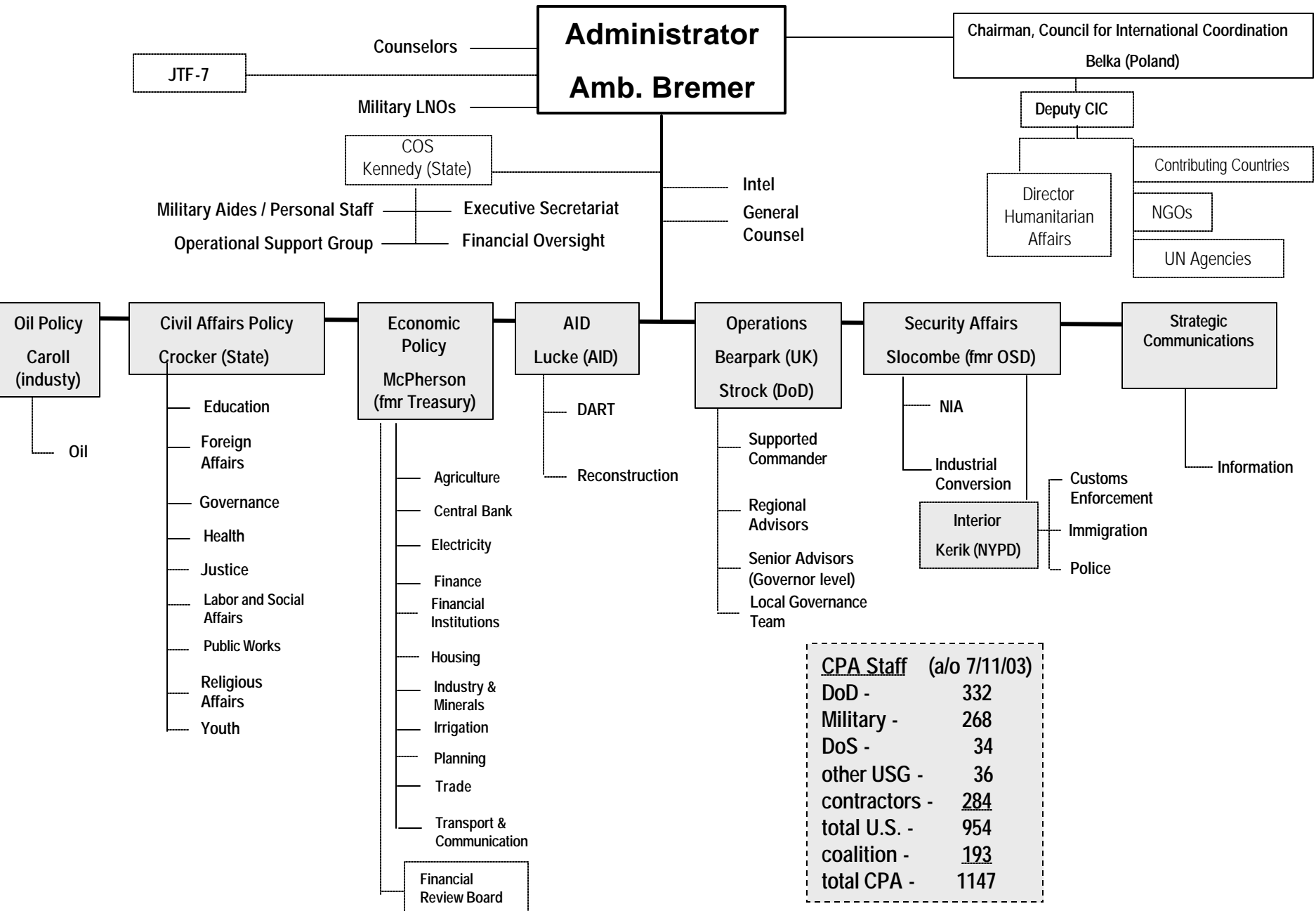
*** -- There was \$672.5 million in USAID non-IRRF spending in Iraq; \$212 million was reimbursed from the IRRF. A double-entry is included to avoid double-counting. Other amounts were reimbursed directly by appropriation account.

**** -- Budget estimates for additional reconstruction activities, police training, and a response to the UN appeal are still under discussion.

Coalition Provisional Authority Organization



COALITION PROVISIONAL AUTHORITY



CPA Staff (a/o 7/11/03)	
DoD -	332
Military -	268
DoS -	34
other USG -	36
contractors -	<u>284</u>
total U.S. -	954
coalition -	<u>193</u>
total CPA -	1147