



THE DIRECTOR

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

April 5, 2004

The Honorable C. W. Bill Young  
Chairman  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed you will find the second quarterly report required by Section 2207 of the Emergency Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, FY 2004. Section 2207 requires the Director of the Office of Management and Budget to report quarterly to the Committees on Appropriations on the uses of funds appropriated in the Iraq Relief and Reconstruction Fund. This report updates information contained in the report I submitted on January 5, 2004. As with the first report, this too relies on the capable planning and analysis of the Coalition Provisional Authority (CPA) in Baghdad and reflects the priorities Ambassador Bremer has identified as essential to Iraq's security, political stability and economic growth.

Since January, CPA has made great strides in improving the daily lives of the Iraqi people. While the security situation remains a serious concern, the report highlights numerous accomplishments in virtually every sector. Iraq now has a functioning police service in most areas, electricity generation is higher than it was before the war, reconstruction projects are employing thousands of Iraqis, oil production is increasing, and schools and health care clinics have been rehabilitated.

CPA is also helping Iraq create democratic institutions. The Iraqi Governing Council recently signed a Transitional Administrative Law (TAL), the first step toward bringing a sovereign government to the people of Iraq. The TAL will serve as the supreme law of Iraq during the transitional governing period beginning June 30, 2004. It ensures that Iraq will be united under a federal, democratic, and pluralistic system of government. CPA will turn over sovereign responsibilities to an Interim Iraqi Government on June 30th and will transition responsibility for U.S. relief and reconstruction efforts to the Department of State that same day.

This report discusses several revisions to the spending plan submitted on January 5, 2004. Specifically, resources were redirected to enhance training of the Iraqi Police Service, the Department of Border Enforcement, and the Facilities Protection Service; to increase the number of battalions in the Iraq Civil Defense Corps; and to create a new rule of law program designed to provide judicial, prosecutorial, and attorney training to ensure a more transparent and fair legal system. In addition, the report identifies resources to be used as operating funds for CPA's successor organization as permitted in the FY 2004 Supplemental.

While the report focuses primarily on the uses of the Supplemental funds appropriated by the U.S. Congress, it also provides information on donor contributions to relief and reconstruction efforts in Iraq and outlines the components of the 2004 Iraqi budget.

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,

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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  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative Obey:

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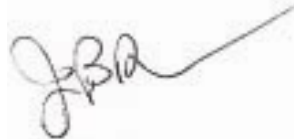
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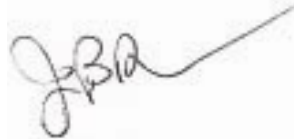
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