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A REPORT CONSISTENT WITH THE AUTHORIZATION FOR USE OF MILITARY FORCE AGAINST IRAQ RESOLUTION

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

A REPORT INCLUDING MATTERS RELATING TO POST-LIBERATION IRAQ AS CONSISTENT WITH THE AUTHORIZATION FOR USE OF MILITARY FORCE AGAINST IRAQ RESOLUTION of 2002 (PUBLIC LAW 107–243)

APRIL 21, 2004.—Referred to the Committee on International Relations and ordered to be printed

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THE WHITE HOUSE,
Washington, April 17, 2004.

Hon. J. DENNIS HASTERT,
Speaker of the House of Representatives,
Washington, DC.

DEAR MR. SPEAKER: Consistent with the Authorization for Use of Military Force Against Iraq Resolution of 2002 (Public Law 107–243), the Authorization for the Use of Force Against Iraq Resolution (Public Law 102–1), and in order to keep the Congress fully informed, I am providing a report prepared by my Administration. This report includes matters relating to post-liberation Iraq under section 7 of the Iraq Liberation Act of 1998 (Public Law 105–338).

Sincerely,

GEORGE W. BUSH.

REPORT TO CONGRESS

Submitted consistent with Public Law 107-243:
"Authorization for Use of Military Force Against Iraq Resolution of 2002"

April 2004

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I. Executive Summary

This report covers from approximately February 15, 2004 to approximately April 15, 2004. During this period, the Coalition Provisional Authority (CPA), under the leadership of Ambassador L. Paul Bremer and in cooperation with emerging Iraqi governmental authorities, made progress toward addressing the many challenges facing liberated Iraq.

The most significant political development during the reporting period was the March 8 unanimous adoption by the Iraqi Governing Council of the Transitional Administrative Law. This document, together with an Annex that will be developed over the course of the coming months, provides the governing framework for Iraq's transition to a peaceful, democratic, and sovereign member of the international community that will set the stage for the transfer of authority from the Coalition Provisional Authority to an Iraqi Interim Government on June 30.

Security remains the top priority of the CPA and Coalition Forces (CF). During this period, CF sought to employ more effective tactics to prevent and thwart attacks, and defeat the insurgency. During this period, there has been an increase in attacks against Iraqi security forces, civilians, and in early April, against Coalition Forces.

Reconstruction of Iraq's infrastructure continued at a fast pace during this period. Electrical power production received significant attention, as did repair of other dilapidated and sabotaged infrastructure, including oil, water supplies, telecommunications, health facilities, and schools. This report will summarize the breadth of reconstruction activities throughout Iraq.

Relief and reconstruction efforts are summarized in Section II. International initiatives, including debt relief and pledges of assistance, are discussed in Section III. Democracy building and governance issues are described in Section IV. Military operations are covered in Section V.

II. Relief and Reconstruction

Despite security threats, access to basic services is increasing for Iraqi citizens – a result of the improved performance of municipal and governorate service delivery departments. Service quality is generally above pre-war levels, indicating a transition from addressing emergency needs to the longer-term governmental objective to improve effectiveness, efficiency, and quality of services. USAID's Local Governance Program is working with Iraqi local governments to improve their capacity to deliver services to their constituents.

Security

On June 30, the CPA will formally dissolve and a sovereign Iraqi Interim Government (IIG) will assume authority for governing Iraq. Security remains a priority for the CPA and CF. The number of attacks on CF had remained roughly steady for the past several months, but in April attacks on CF, Iraqi security forces, and civilians all increased, complicating the security situation. Iraqi security forces were contributing both in routine civil policing, and in combating terror and sabotage conducted by former regime loyalists and foreign terrorists until they became the targets of choice for roving bands from Muqatada al-Sadr's Mahdi militia. The performance

of the Iraqi Police Service and the Iraqi Civil Defense Corps during this period has been disappointing. Yet, CPA and CF commanders still believe that Iraqi forces will play a vital role in augmenting CF and will eventually assume full authority and responsibility for maintaining security and enforcing the rule of law in Iraq. Iraqis know their neighborhoods, the language, and the culture; and with intensive training and adequate equipment, their increased numbers on the front lines should improve the country's security situation. As of April 9, 2004, more than 200,000 Iraqis were members of the Iraqi security forces, which at that time accounted for the majority of all forces in Iraq. Following is an overview of Iraqi security forces, as of April 9, 2004:

- **Iraqi Police Service (IPS):** The IPS is established nationwide, with plans to field 75,000 members by June. Approximately 13,500 qualified or partially qualified police are currently on duty, 3,500 are in academy training, and another 56,000 await training. In addition, approximately 13,000 IPS personnel who served as police under the former regime have completed CPA's 3-week Transitional Integration Program taught by Coalition soldiers, which stresses democratically based, modern policing techniques, ethics, and human rights. New recruits receive an 8-week basic skills curriculum followed by 24 weeks of field training/mentoring supervised by International Police Advisors.
- **Iraqi Civil Defense Corp (ICDC):** Approximately 32,000 personnel are serving, with concurrent training.
- **Department of Border Enforcement (DBE):** Approximately 19,000 Iraqis serve in the DBE, which includes the Iraqi Border Police.
- **Facility Protection Service (FPS):** Approximately 74,000 work in the FPS, protecting fixed installations and vital infrastructure from sabotage and terrorist attacks.
- **Iraqi Armed Forces (IAF):** Nearly 4,000 are on duty in the IAF, and an additional 2,000 are in training and 35,000 are expected to be trained and on duty by September 2004.

Building new Iraqi Security Forces is a "work in progress" which will require continued U.S. and Coalition support and sustainment.

Food

In accordance with U.N. Security Council Resolution 1483, the Oil for Food (OFF) program terminated on November 21, 2003, when the CPA assumed responsibility for remaining "prioritized" contracts under the program and for Iraq's Public Distribution System (PDS). Widely publicized allegations of corruption under the OFF program have resulted in U.N. Secretary General Kofi Annan's decision to appoint a high-level independent commission to investigate these charges. CPA Administrator Bremer has provided $5 million from the DFI to the Iraqi Board of Supreme Audit to conduct an investigation of these charges. The Board has already begun the process of sequestering relevant documents from various ministries and identifying Iraqi officials who might have information about the allegations.

With assistance from the U.N. and the U.N. World Food Program (WFP), the CPA and the Iraqi Ministry of Trade (MOT) are working to ensure that the PDS has sufficient food stocks for the coming months. The PDS provides a monthly distribution of food rations to all Iraqis and medical supplies to hospitals and clinics. It remains important both as a source of food for

vulnerable populations and as a symbol of political stability. Shipments of food and other humanitarian supplies, both from the old OFF contracts and new WFP and MOT procurements, are managed by the Coordination Center, jointly staffed by Coalition and Iraqi officials. The Center ensures the steady, secure, and managed flow of remaining OFF goods and newly procured goods. As of March 20, PDS stocks have increased and CPA projects that no shortages will occur in the April and May rations. The Center's performance is due to the new procurements of food basket commodities by both the WFP and the MOT, including accelerated delivery schedules for the commodities where stocks have been low. The WFP has contracted for over $900 million in food commodities; the MOT is expected to take over all PDS procurement by mid-April.

Health

The CPA and USAID are assisting the Ministry of Health (MOH) in enhancing its capabilities to improve the quality of and access to health care for the Iraqi people. USAID reports that health services in Iraq have returned to pre-war levels, but remain below international standards. Health statistics in Iraq are poor compared to both regional and global statistics. In cooperation with the Ministry of Health, USAID is renovating 52 clinics and reequipping 600 primary health centers with essential equipment. A national immunization program has also been initiated and has reached 70 percent of Iraq's children.

Iraq has returned to its pre-war capabilities for providing health care with more Iraqi hospitals and primary health clinics than before. The MOH continues to increase its number of healthcare professionals and staff, over 80 percent of whom are women. It also has facilitated the renovation of 52 primary health clinics, and the re-equipping of more than 600 to provide essential primary healthcare services. Efforts also have included training staff, and the training of 340 master trainers in 18 governorates who, in turn, are training more than 2,000 primary healthcare providers.

USAID is continuing a monthly catch-up immunization campaign with UNICEF and the MOH with 4,000 health workers and 124 supervisors. Since the summer of 2003, USAID has procured more than 30 million doses of vaccines with support from the MOH and UNICEF, and vaccinated 3 million children under the age of five through the Expanded Immunization Program. USAID will provide vaccines for a total of 4.2 million children under five and 700,000 pregnant women. More currently, the Public Health Division of the Ministry of Health began a Measles, Mumps, and Rubella (MMR) immunization campaign in the middle of March in the Basra area. The program targets school-age children (6-12 years of age). By the end of March, MOH public health workers planned to have delivered approximately 400,000 doses of MMR vaccines to Iraqi children. MMR vaccinations will also be available following this campaign, and a similar campaign will be instituted in governorates across the country.

USAID also has helped develop a hospital and clinic facility database for the MOH based on facility type, location, service distribution, cost information, and building condition. The MOH data entry system will facilitate the input of data from more than 3,000 health care facilities throughout Iraq. Facilities include hospitals, primary health care centers, pharmacies, dental clinics, warehouses, serum vaccine centers, research centers, and others. The data entry

system includes a networked computer system sharing a common database that will allow simultaneous data input from multiple users. It is being used by the Engineering Department of the MOH. This system will expedite input of all relevant data for facilities throughout Iraq. USAID partner, Abt Associates, is working with the MOH to implement the new data system.

Electrical Power

From January to March, peak production ranged from 3,400 MW to 4,500 MW, reaching and exceeding pre-war levels of peak power generation for much of the period. The CPA, supported by USAID and the U.S. Army Corps of Engineers, has developed a plan to attain the 6,000 MW summer goal. Achieving this goal will be crucial, as demand will increase over the summer. Current average peak production has hovered around 4,000 MW during the first 3 months of 2004. Current efforts involve overhauling existing power generation units, instituting better routine maintenance practices, and adding new generation units to the national grid. A large portion of potential power production is regularly out of service for planned maintenance necessary to ensure unit longevity and increase current production capacity. Estimates suggest that all units currently out for planned maintenance will be serviced and returned to the power grid by June, bringing at least 1,200 MW of capacity back on line. For the first 3 months of 2004, the amount of power lost due to unplanned outages fluctuates on an average of 728 MW, as a result of the number of days or weeks required to repair a unit that has gone out of service due to mechanical failure. The CPA, USAID, the U.S. Army Corps of Engineers, and the Ministry of Electricity contractors also are installing new power units – expanding existing plants or building new plants – that could add around 900 MW to the power grid by June.

The electrical infrastructure of Iraq has improved, and is continuing to improve. Repair of transmission and distribution lines throughout Iraq has improved capability to get the electricity generated at the plants to the people who need it. Although there have been some weekly decreases in output, the trend for production and capacity is positive. Average daily generation has improved from an average of 74,000 MWH from August to December 2003 to 85,000 MWH for January through March 2004. Daily electric power consumption is highest in the Central regions, including Baghdad at 60 percent, with the North consuming approximately 25 percent, and the South consuming approximately 15 percent. The equity and consistency of residential service across the country have been improving. Recent increases in the hours of power available throughout Iraq are the result of recent mild temperatures. Hours of residential service will temporarily decrease as temperatures increase and more units are taken out of service for maintenance and repair. This decrease in service is necessary to effect repairs that will improve the ability to meet power demand in the hottest months of the summer.

As of March 31, 678 MW (20 generators -- 5 steam power, and 15 combustion power) of generating capacity was on forced (unplanned) outage, and 1,873 MW (26 generators -- 17 for maintenance and 9 for rehabilitation) was on scheduled outage. These numbers change daily due to ongoing repairs and progress in the spring maintenance program, which can result in generators returning to or leaving service on any given day. As of March 19, eight 400 kV transmission lines and seven 132 kV transmission lines were out of service. These outages are the result of looting, sabotage, lingering war damage, and a general lack of repairs and regular

maintenance, which the CPA is now addressing. In mid-March, the CPA issued a three-level allocation plan: essential users 24/7, industrial users 17 hours, and residential users with rotating coverage. The CPA has worked with Iraqi administrators and governors to explain changes to the plan. CPA also began a public awareness campaign to explain the plan.

Water and Sanitation

As of mid-March, an estimated two-thirds of potable water production in Iraq has been restored. Projects funded with money from the supplemental budget funds will improve both water potability and sewage treatment. By the summer of 2004, water services will have improved for millions of Iraqis.

In Baghdad, and in the central, south, and north regions, work continues on water and wastewater treatment plants, sweetwater canals bringing fresh water from the marshes in the north, and solid waste management. Activities include repair, refurbishment and/or reconstruction of structures, process units, aeration basins, inlet piping, canals, tanks, and electrical plants. Iraqi staff is also being trained in process control and theory, and training will also include operations, monitoring, and control of the works. Security continues to be a problem causing project delays. Looters or saboteurs have attempted to remove items, especially cable, from process units.

Oil and Fuels

CPA reconstruction efforts, implemented by the U.S. Army Corps of Engineers and its contractors, have caused oil production, exports, and revenues to exceed projections in 2004. CPA reported that, as of March 30, 2004, estimated crude oil export revenue reached $3 billion for 2004. Crude oil export revenue for June – December 2003 was $5.1 billion. The estimated average total crude oil production from January to March 2004 was about 2.3 Million Barrels per Day (MBPD) (1.9 MBPD in the south and 0.4 MBPD in the north). The average crude oil export from January to March was 1.7 MBPD (with the average crude oil export for March at about 1.9 MBPD). The average price received for crude oil exports this year is approximately $29 per barrel. The CPA estimates that in 2004, if export capability is not interrupted and if oil prices hold at or near today's levels, oil export revenue will exceed $1 billion per month.

On March 15, Iraq's State Oil Marketing Organization (SOMO) head Shamkhi Faraj announced that 7 million barrels of crude oil delivered over the previous weeks was in storage at the Ceyhan Terminal in Turkey. Once leaks in the line are repaired, loadings should resume and likely increase. Most of the oil in storage was exported by the end of March, and flow had yet to resume in the line. When flow resumes, the pipeline is expected to transport between 0.15-0.3 MBPD to the terminal. Repairs to be completed by the fall should increase this capacity considerably.

The following table provides the four main petroleum fuels consumed in Iraq (diesel, kerosene, liquid propane gas (LPG), and gasoline), the estimated total national daily demand for each, and the percentage of fuel supply that is on hand (weekly average) out of total demand. The last two columns provide CPA's target goal for daily fuel production and imports and the

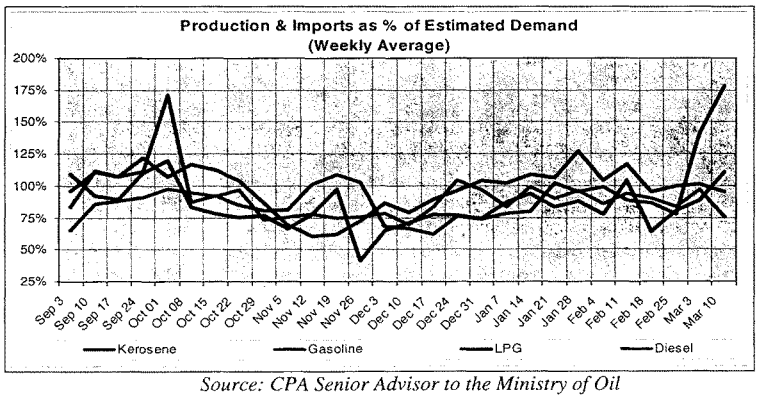
percentage of fuel supply on hand based on these targets. The daily production and imports target is higher than the estimated daily demand to allow for the growth of a buffer stock. Targets will change in April to account for changes in seasonal demand for all of these basic fuels.

FUELS	Estimated Daily Demand	% of Demand	Daily Production and Imports Target	% of Target
Diesel	18 million liters (ML)	91	18 ML	91
Kerosene	9 ML	181	18 ML	90
LPG	5,500 metric tons	88	6,000 metric tons	81
Gasoline	17 ML	112	18 ML	106

Source: CPA Senior Advisor to the Ministry of Oil

The CPA has continued to pursue measures designed to improve production, storage and transportation of oil and gas products. The CPA introduced plans to increase refined product storage facilities at ports in the south, reverse the flow of a pipeline for products from Mosul to Baiji, and accelerate the process of unloading fuel trucks with additional pumping capability.

The graph below shows the total daily supply (domestic production plus imports) for each of the four refined fuel products as a percentage of estimated domestic demand over the past 6 months. The spike in kerosene reflects a reduction in the assessment of estimated daily demand from 15 million liters to 9 million liters combined with continued imports and production at previous levels to build inventories. The CPA is striving to supply 100 percent of demands and to build inventories to safer levels of 10-15 days for all four primary fuel types. Higher inventories are critical to ensure that Iraq can weather temporary disruptions of supply without major fuel shortages.



Source: CPA Senior Advisor to the Ministry of Oil

USAID has also begun providing support for creating and developing modern regulatory laws and agencies for natural monopolies in a mixed market economy. A USAID/BearingPoint

effort includes the key preparatory studies for determining the appropriate organization, management, and operation of Iraq's gas and oil sector.

Refugees, Returnees, and Internally Displaced Persons (IDPs)

Although conditions in Iraq are not yet conducive to enacting proposals for the large-scale return of refugees and internally displaced persons (IDPs), the U.N. High Commissioner for Refugees (UNHCR) and the Iraqi Ministry of Displacement and Migration (MDM) have, since July 2003, facilitated more than 10,000 voluntary returns from Saudi Arabia and Iran. In addition, the UNHCR estimates that as many as 50,000 refugees may have returned spontaneously from Iran. The facilitated refugee return programs are intended to help manage the flow of refugee returns without overwhelming the absorptive capacity inside the country. The UNHCR estimates that as many as 500,000 Iraqi refugees and other Iraqis of concern to the organization could opt for voluntary repatriation over the next 2 years.

The MDM and UNHCR hosted a meeting in Amman February 15-16 to support and facilitate the development and implementation of a national, Iraqi-led strategy for meeting the return and reintegration needs of refugees, IDPs, and returnees. The meeting brought the MDM and other Iraqi Ministries together with members of the U.N. and the NGO community. Participants developed a strategy that emphasizes capacity building for Iraqi institutions and organizations and programs to assist with reintegration of returnees into Iraqi communities. A follow up meeting was held the first week of April to prioritize programs and revise implementation strategies. In the meantime, the MDM, the UNHCR, and the CPA continue to counsel Iraqi refugee hosting countries to exercise patience with those Iraqis under their care, while efforts are made to create conditions that are conducive to return.

The Department of State's Bureau for Population, Refugees, and Migration is working with USAID's Office of Foreign Disaster Assistance to continue implementing assistance and protection programs for refugees, returnees, and IDPs through international organizations and NGOs.

Education

USAID has worked closely with Iraqis and the Ministry of Education (MOE) to increase enrollment and improve the quality of primary and secondary education, ensure classrooms have sufficient materials, facilitate community involvement, and train teachers. MOE curriculum specialists have met with UNESCO experts on curriculum reform. A team of MOE employees is in Amman for a World Bank workshop on textbook procurement, school rehabilitation, contracting, finance and administration, and project management. The Ministry developed a committee charged with redesigning the Ministry's Teacher Training Institute, composed of teachers, training institute staff, and curriculum specialists.

According to CPA figures, more than 5.5 million children have returned to school. An important program in the education sector is the Accelerated Learning Program, which provides out-of-school children a second chance for education. Registration and attendance for the

Accelerated Learning Program have increased significantly over the last month for both boys and girls, and are quickly approaching their targets.

In addition to the 2,350 schools rehabilitated by USAID, 105 schools have been refurbished using Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) funds. CJTF-7 also provided support to numerous schools with Commander's Emergency Response Program (CERP) funds. United States Supplemental funds will rehabilitate 1,047 schools, and the World Bank is close to committing to rehabilitate another 1,000 schools.

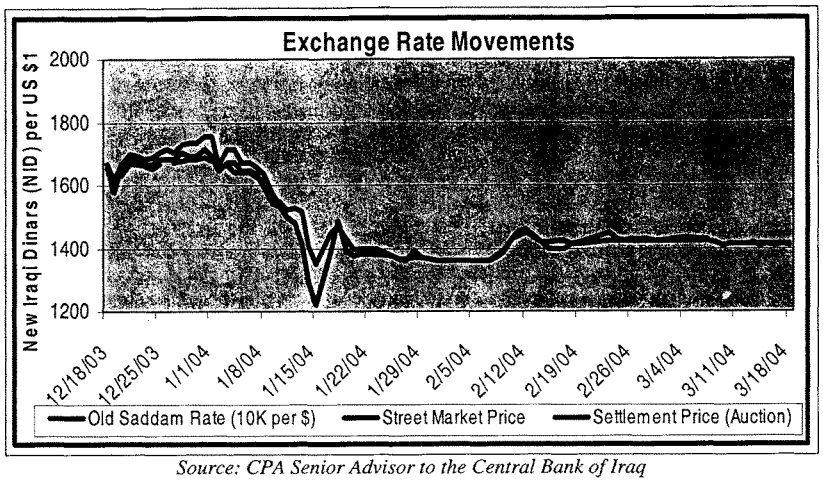
Public Telecommunications

By mid-March, Baghdad's Al Mamoun telephone exchange was opened. Bechtel and the Iraqi Telecommunications and Postal Company connected additional subscriber lines to the switch. The Ministry of Communications is bringing in additional workers from outside Baghdad to expand the line-splicing workforce and accelerate progress. USAID has completed the integration of new switches with the Iraqi Telecommunications and Postal Company's existing switches. All are fully operational. Telephones nationwide can now access the switch at Al Mamoun and the International Gateway. CPA has repaired 18 of 22 telephone switches destroyed in the war since May 2003 with full supporting service (office space, power, fiber transmission connections to other switches, security). Service has been restored to over 719,750 of 833,000 pre-war phone customers. The three cell phone companies in Iraq continue to sign up new subscribers. As of mid-March 2004, there were 1,023,395 total (landline and cell) telephone subscribers in Iraq, a 23 percent increase since April 2003. On March 25, it was announced that DOD had awarded Lucent Technologies a contract worth a ceiling of $75 million to provide design-build construction services for projects associated with the repair and modernization of existing Iraqi communications systems.

On March 20, Ambassador Bremer signed CPA Order No. 65 creating an independent agency to regulate commercial communications in Iraq. This agency, similar to the U.S. Federal Communications Commission, is called the Iraqi Communications and Media Commission (ICMC).

Economic Governance

Together with the Ministry of Finance, the CPA has taken several important steps to encourage macroeconomic stability in Iraq. Following a smooth transition, the New Iraqi Dinar (NID) entered into a period of stability at the end of January, and has been stable since that time. At the NID auction on March 11, the settlement price was 1,415 dinars per dollar. The value of dollars sold at the auction varied over the week from $9.3 to $22 million. The exchange rate on the Baghdad streets was 1,430 dinars per dollar on March 7. The chart below shows the smoothing of exchange rate movements.



Source: CPA Senior Advisor to the Central Bank of Iraq

The Central Bank Law was approved by the Finance and Planning Committee of the Iraqi Governing Council and promulgated by the CPA as Order No. 56. This order enshrines into law Central Bank independence, a critical element to a sound banking system. In a further step toward modernization of the Iraqi banking system, on March 1 interest rate liberalization took effect, allowing rates to move in response to market conditions. This will engender competition among banks for deposits of savings into the banking system and over time provide greater resources for lending to businesses.

Visa International also has agreed to provide computers and satellite connections to its network for Iraqi private banks, and specialists from the Federal Reserve Bank of New York completed their assessment of Central Bank IT and payment system technology in Iraq. The assessment recommended several improvements for the provision of an electronic payments system and automation in the Iraqi banking system.

The first revisions to Iraq's Company Law also were approved by the Minister of Finance and the Finance and Planning Committee of the Iraqi Governing Council and promulgated by the CPA as Order No. 64. This new legislation amended Iraq's existing Company Law and will facilitate the conduct and financing of all privately held businesses in Iraq, including foreign companies. The reforms will protect the rights and property of foreign and domestic investors in Iraq and should result in increased investment. This first modification to Iraq's Company Law was part of a two-phase revision process. The second phase will extend reforms to corporate governance and capital markets in Iraq. The Minister of Trade also signed the company registration regulation, which streamlines procedures for registering domestic entities, and implements, in part, CPA Order No. 39, by providing procedures for the registration of Iraqi entities owned by foreign shareholders. In addition, contract and property rights reforms will place the conduct of business on a modern footing; reformed commercial dispute laws will

facilitate respect for contracts; commercial law reforms will limit government intervention in the private sector; public procurement will become transparent and competitive; and finally, new labor laws will balance employee protection with employer and investor demands. The CPA is finalizing the laws on government securities and money laundering for submission to coalition partners for review.

Transportation Infrastructure and Ports of Entry

Airports:

As important components of Iraq's economic infrastructure, Iraq's airports are focal points for receiving goods, including humanitarian assistance. The reconstruction of Baghdad and Basra airports, along with the strengthening of Iraq's other transportation infrastructure, assists the smooth and efficient delivery of food and other humanitarian and reconstruction materials and personnel. USAID completed major infrastructure work to prepare Basra and Baghdad International Airport for commercial air operations, yet threats of violence and attacks on aircraft keep the Iraqi people from realizing the full benefits of these projects.

USAID has been providing material and personnel for repair of damaged airport facilities, rehabilitating airport terminals, facilitating humanitarian and commercial flights, and preparing for handover of airport operations to the Iraqi Airport Commission Authority. To date, they have completed infrastructure work to prepare Baghdad International Airport for commercial air operations, including Terminal C and administration offices, installed three X-ray machines, and installed new diesel generators to power Iraqi airport control center communications. Installation of the 5 MW generator sets has begun. Ongoing preparations for commercial operations at Basra International Airport include runway, taxiway and apron renovations, baggage X-ray, passenger support facilities, VSAT satellite communications, security fences, and water and sewage treatment plants.

The average number of aircraft departures per day (civil and military) at all airports in Iraq for the month of March were (the military numbers include fixed-wing and rotary):

- Mosul 110 military, 0 civil
- BIAP 180 military, 14 civil
- Basra 25 military, 3 civil

Seaport Umm Qasr

The port at Umm Qasr has also received substantial renovation. In addition to harbor dredging to a 12-meter depth, which will facilitate the portage of deep draft ships, arrangements have been made to maintain the dredging and thus the port. Renovations also included grain and cargo unloading facilities, lifts, administration and storage buildings and structures, security arrangements, and electrical facilities. In mid-March, the North Port at Umm Qasr received a new mobile substation to help supply power to the port as a whole. Once connected to the grid and the port equipment, container lift capacity will increase from 8 lifts per hour to 12-15 lifts per hour.

Bridges, Roads, and Railroads

Repair replacement and construction of essential segments of highway, strategic bridges, and critical secondary roads that will enable reconstruction, economic development, and improved public safety are continuing. Railway reconstruction has significant accomplishments as well including the completion of the railway bridge at Akashat. Other notable bridge reconstruction projects are Al Furat Bridge, Tikrit, and Al Mat Bridges, which are three spans that are indispensable for transporting commercial and humanitarian goods in Iraq.

- *Al Furat Bridge:* The CPA completed the reconstruction of Al Furat Bridge in Baghdad and reopened it in early March.
- *Tikrit Bridge:* Work on the Tikrit Bridge is expected to be finished by May.
- *Al Mat Bridge:* Reconstruction of Al Mat Bridge, a key transportation link on the main highway between Baghdad and Jordan, is complete. The bridge is used by more than 3,000 trucks daily bringing reconstruction and humanitarian aid and goods to Iraq from Jordan.

III. International Initiatives

Credit Financing for Iraq

As of March 17, the Trade Bank of Iraq had issued 112 letters of credit totaling $496 million, covering imports from 24 countries. In addition, there are 38 letters of credit in the pipeline, including one letter of credit guaranteed by the Export-Import Bank of the United States, one letter of credit guaranteed by the Japanese Export Credit Agency (ECA), and 12 OFF letters of credit. The Board of Directors of the Trade Bank of Iraq approved an increase in paid-in capital from $5 million to $100 million to support lines of credit received from ECAs following the transition.

Iraq Debt

The United States has been working to encourage the international community to provide debt reduction for Iraq in 2004. Special Presidential Envoy James A. Baker III has traveled to Europe (France, Germany, Italy, Russia, and the U.K.), Asia (Japan and China), and the Persian Gulf (Qatar, UAE, Kuwait, and Saudi Arabia) to meet with major creditors. The leaders of these nations essentially agreed to three basic principles: debt reduction in 2004 is necessary to ensure the successful reconstruction of Iraq; the reduction should be at least "substantial;" and negotiations should begin now, conditioned on acceptance by a new Iraqi Government. Significantly, a number of creditors and our closest allies have gone further and announced publicly a commitment to write off the "vast majority" (U.K., Japan, Canada, Italy, and UAE), or even all (Qatar) of their Iraqi debt. The United States continues to work with the Iraqis and with key creditors. At the same time, the IMF is undertaking a financial analysis of Iraq's debt sustainability. The United States remains committed to the goal of achieving debt reduction for Iraq in 2004; the exact percentage of debt reduction is subject to further agreement among the parties.

Development Fund for Iraq

U.N. Security Council Resolution 1483 noted the establishment of the Development Fund for Iraq (DFI) to meet the humanitarian needs of the Iraqi people and directed that surplus funds from the U.N. Oil-for-Food (OFF) escrow account be transferred to the DFI. On December 31, 2003, the U.N. Treasurer transferred $2.6 billion to the DFI. An additional $2 billion was transferred on or about March 31, 2004. Transfers from OFF to the DFI total $5.6 billion to date. More than $100 million in Iraqi assets were transferred to the DFI during this period.

As of March 18, the balance in the Development Fund for Iraq (DFI) was $7.1 billion, comprised of $6.1 billion in the original Federal Reserve Bank of New York (FRBNY) account, and $1 billion on deposit in DFI-Baghdad. Of this, $4.3 billion was already committed to projects, and the remaining $2.8 billion was slated for projected 2004 budget items. Since establishment, the DFI investment program at FRBNY has earned $15 million in interest. As of March 18, the total payments out of the DFI amounted to $6.8 billion.

State Department and USAID assistance to Iraq disbursed in FY 2003/2004 totals $3.1 billion as of March 19, 2004. As of mid-March, the Program Management Office (PMO) had plans to commit $10.4 billion (56 percent of the $18.4 billion supplemental) toward contracts by July 1, 2004. As of March 20, $3.6 billion were currently committed to Iraq relief and reconstruction efforts, 35 percent of the July 1 goal; $2.1 billion of funds were obligated with contractors (20 percent of the committed fund's goal).

International Donor Support

The United States has worked to continue the success of the Madrid Donors' Conference. The International Reconstruction Fund Facility for Iraq (IRFFI), a vehicle for joint management of World Bank and United Nations reconstruction trust funds, is open and receiving funds. The Donors' Committee of the IRFFI held an organizational meeting in Abu Dhabi on February 29, and selected Japan as the chair. The Donors Committee consists of countries that have committed at least $10 million to the fund IRFFI. At this meeting, donors announced commitments to contribute roughly U.S. $ 1 billion of their pledged assistance to the IRFFI in 2004. In addition to assistance channeled through the IRFFI, several of the major donors, especially Japan, the U.K., and Spain, have started to implement substantial bilateral assistance programs.

IV. Transition to Democracy

Governmental and Constitutional Development

On March 8, the Iraqi Governing Council unanimously approved the Transitional Administrative Law (TAL). The TAL will serve as the governing framework for the transition period that will conclude once an Iraqi constitution has been adopted, and a permanent new Iraqi Government is elected pursuant to that constitution. On June 30, governmental authority will be turned over to an Iraqi Interim Government which will govern under the TAL during a first phase and will lay the groundwork for the election of a Transitional National Assembly no later

than January 31, 2005. An Iraqi Transitional Government will then be formed by this Transitional National Assembly, which will govern Iraq during the second phase and also have the responsibility to draft the permanent constitution. The TAL establishes a constitutional ratification process based on a referendum by the Iraqi people.

The TAL includes a Bill of Rights, unprecedented for Iraq and the region, which guarantees freedom of religious belief and practice as well as the right to free expression, to assemble peacefully, to organize political parties, and to form and join unions. It also guarantees the right to demonstrate peacefully and strike, to vote, to receive a fair trial, and to be treated equally under the law. Discrimination based on gender, ethnicity, religion, or nationality is strictly prohibited.

Development of governmental institutions has extended beyond the TAL. More than 31 Iraqi cabinet ministers also contribute to leadership on a day-to-day basis, and more than 600 Iraqi judges preside over more than 500 courts operating independently of the IGC and the CPA. Illustrating the march towards greater Iraqi sovereignty, CPA has announced that a number of ministries have made the transition to full Iraqi control. The ministries of Education, Public Works, and Health have all taken this step, though the coalition still stands ready to offer support where needed.

In late March, the IGC invited the United Nations to return to Iraq to provide advice and assistance on forming the Iraqi Interim Government that will assume governmental authority on June 30 and on the preparations for and holding of elections at the end of this year. The U.N. Security Council on March 24 issued a statement strongly supporting the mission to Iraq of U.N. envoy Lakhdar Brahimi who is in Baghdad to assist in the formation of the interim government. The Security Council also voiced support for the electoral assistance team that is in Iraq to help organize direct elections to be held before the end of January 2005. We have welcomed the U.N. role in helping to establish a new Iraqi Government and will be working closely with the international community to ensure a smooth transition on June 30.

Local Governance

A solid local government system in Iraq is the foundation upon which a democratic national government can be built. Effective local governance encourages citizen participation, fosters dialogue among competing groups, and delivers essential services based on community priorities. USAID's Local Governance Program (LGP) is working to meet these objectives by establishing programs that help build democratic communities countrywide. The LGP identifies new Iraqi leaders whose leadership in Iraq's governorates, cities, and towns improves the quality of life of Iraqi citizens by increasing their access to basic services and improving performance of service delivery. In coordination with the CPA Governance Team, LGP supports the political transition, informing the citizenry of the process and assisting the devolution of authority to the provincial and city governments.

In nearly all major cities and most towns and villages, local and municipal councils have been created. LGP has established offices in 17 governorates with four regional support centers, staffed by 225 international experts and 875 Iraqi nationals. In cooperation with CPA personnel

and military civil affairs officers, USAID works with Iraqis to develop a representative local government that embodies diversity and installs checks and balances within administrative counterparts. LGP field representatives build the capacity of government institutions and civil society organizations while fostering democratic dialogue on policy issues and partnerships for their implementation.

V. Military Operations

Our operations in Iraq are a critical part of the war on terror. Attacks on coalition personnel continue with small arms and rocket-propelled grenades, mortars, and command-detonated improvised explosive devices (IEDs) buried or hidden along roadways and highways, or as part of a vehicle (VBIEDs). Attacks on air assets suggest that all types of aircraft – civilian and military, fixed-wing, and rotary-wing – are seen by the opposition as potential targets.

Attacks on soft targets, such as civilian contractors as in Fallujah, NGO personnel, or Iraqi coalition workers, increased during this period. CJTF-7 indicates that the majority of attacks on civilians are occurring in the Central/South Regions by anti-coalition militants, specifically directed against civilians perceived as supporting the wider Coalition effort.

It is not possible to know at this time either the duration of military operations or the scope and duration of the deployment of U.S. Armed Forces necessary for the full accomplishment of our goals. As of April 9, 2004, there are approximately 24,000 armed forces personnel from 33 Coalition partner nations in Iraq, including 17 of the 26 NATO members. Another six countries are considering providing forces.

During this period, offensive operations were conducted in Fallujah, and several other cities in the Multi-national Division (Central South) area, while patrols, raids, cordon, and searches continued in other parts of the country. These operations continue to result in the capture of large numbers of individuals, and the seizure of significant quantities of weapons and ammunition (including RPG launchers), man portable air defense (MANPAD) missiles and launchers, small arms, crew-served weapons, grenades, and mines) and IEDs. Coalition efforts to destroy former regime ammunition storage networks are eliminating large amounts of munitions, with an estimated 40 percent of Iraq's prewar inventory of 600,000 tons secured or destroyed.

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