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Table of Contents

- I. Executive Summary
- II. Relief and Reconstruction
 - A. Security
 - B. Food
 - C. Health
 - D. Electrical Power
 - E. Water and Sanitation
 - F. Oil and Fuels
 - G. Justice Reform
 - H. Refugees, Returnees, and IDP's
 - I. Education
 - J. Public Telecommunications
 - K. Economic Governance
 - L. Transportation Infrastructure and Ports of Entry
- III. International Initiatives
 - A. Debt
 - B. International Donors
- IV. Transition to Democracy
 - A. Governmental and Constitutional Development
 - B. Local Governance
- V. Military Operations

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I. Executive Summary

This report covers approximately the period from October 15, 2003 to approximately December 15, 2003. During this period, the Coalition Provisional Authority (CPA), under the leadership of Ambassador L. Paul Bremer and in cooperation with emerging Iraqi executive, security and administrative structures, made significant progress toward addressing the many challenges facing liberated Iraq.

On November 15th, the CPA and the Governing Council (GC) agreed to and announced a plan to expedite the process of transferring authority to the Iraqi people. Under this plan, the GC, in cooperation with the CPA, is expected to establish a political process that will lead to a representative transitional national assembly to assume full sovereign powers by July 2004. The agreement also provides, in accordance with the wishes of the Iraqi people, for the drafting of a permanent constitution by a constitutional convention directly elected by the Iraqi people.

At the October 23rd Madrid Donors conference, over 50 international donors, including the International Monetary Fund (IMF) and World Bank, pledged over \$33 billion for Iraq reconstruction over the next four years. Donors pledged even more "in kind" assistance.

On October 16, the UN Security Council unanimously adopted Resolution 1511. The objective of Resolution 1511 is to increase the international community's participation in Iraq's stabilization and reconstruction. Specifically, the resolution

- provides that the UN should strengthen its role in Iraq, particularly in areas of the UN's special expertise, including in the field of political transition;
- authorizes a multinational force under unified command;
- calls upon Member States and international and regional organizations to contribute to the training and equipping of Iraqi police and security forces; and
- appeals to Member States and the international financial institutions to strengthen their efforts to assist the people of Iraq in the reconstruction and development of Iraq's economy.

Iraq's new currency was introduced in October, replacing the old dinars that pictured Saddam's face and were easy to

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counterfeit. The new bank notes will provide an effective means of monetary exchange in Iraq, help underpin currency stability and, for the first time in twelve years, ensure that all of Iraq uses one set of bank notes.

Security remains a top priority for the CPA and the Coalition. Violence directed against those committed to assisting Iraqis and against the Iraqi people themselves, as well as against Coalition forces, has led to tragic losses, including over 30 deaths at the Italian military headquarters, the deaths of Iraqi policemen and the assassination of the Baghdad Deputy Mayor and other provincial and municipal officials. In the face of these challenges, the Coalition intensified efforts to establish a secure environment for the Iraqi people, and to recruit and train the Iraqi security forces rapidly. The CPA, the Coalition and the Iraqi people have made significant progress in rehabilitating and professionalizing Iraq's police force, as well as training the Facilities Protection Services (FPS), border control personnel and the Iraqi Civil Defense Corps. Moreover, recruitment is underway for the New Iraqi Army. As of November 23rd, Iraqis comprised approximately 50% of total security forces; the U.S. military comprised 42%; and Coalition forces from other countries comprised 8%.

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 water systems, 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

Security

Security remains the top priority of the CPA and the Coalition. Iraqis are playing an increasing role both in routine civil policing and in combating the terror and sabotage carried out by former regime loyalists and foreign terrorists. The Coalition has also taken a more forceful military posture

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against insurgents. More and more Iraqis are coming forward with intelligence information that helps the Coalition conduct increasingly successful operations to prevent planned terrorist attacks, capture insurgents, and seize weapons caches. Street crime against Iraqis has reportedly decreased during the reporting period.

At the same time, the insurgents have used more sophisticated tactics against Coalition forces, Iraqi officials, and others such as the International Red Crescent Society. The most deadly attack during this period was the November 12 explosion of a truck bomb at the Italian military police headquarters, killing 32 people, including some Iraqi police, and wounding over 100. On November 19th, 17 U.S. military personnel were killed when two Blackhawk helicopters collided over Mosul. Army investigators suspect one of the helicopters was hit by a rocket-propelled grenade before it collided with the other one.

Recruiting and training Iraqi security forces is a top CPA priority. These forces play a vital role in augmenting coalition forces and will eventually replace them. Effective public safety institutions and personnel are indispensable for long-term security in Iraq. CPA activity has focused on vetting, hiring, training and deploying Iraqi police forces and other security forces to assist in establishing and maintaining a secure environment. Security efforts are complicated by the fact that paramilitary groups comprised of hard-line Ba'athists and outside extremists seek to undermine public confidence through violence and by fomenting disorder. Thus, restoring public safety remains more challenging than dealing with ordinary crime.

Following is an overview of Iraqi security forces, as of December 8th:

- Iraqi Police: Over 68,000 are on duty; Iraqi police training in Jordan began November 29.
- Facilities Protective Services (FPS): Over 65,000 are on duty guarding ministry/municipality facilities and property.
- Iraqi Border Police: Over 12,000 are on duty securing border crossings and enforcing customs and immigration regulations.
- Iraqi Civil Defense Corps (ICDC): Over 13,000 are on duty. Under Coalition military command arrangements, the ICDC

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protects convoys and fixed points (ammunition dumps, power plants, etc.), and provides disaster relief and humanitarian assistance.

- New Iraqi Army: Over 1,800 recruited and in training.

As of December 8th, the total of the various Iraqi security force recruits totaled 159,892.

The Iraqi police force is making major progress. Iraqi police are working with coalition forces to prevent planned attacks. They are also prepared to secure areas that have been attacked, preventing even greater casualties and damage. The first police training class at a Jordanian facility began on November 29. Following graduation from the 8-week basic course, Iraqi police recruits will participate in a 10-month field training program in Iraq, led by as many as 1,500 international police advisors. The United States plans to provide up to 1,000 of these advisors, with the first 150 expected to deploy in early January.

The CPA has also requested approximately 100 prison experts to begin implementation of prison reform programs. The CPA expects the first of these experts to arrive in Iraq in mid-December.

The CPA set a goal of hiring 50,000 Facilities Protective Service personnel by September 2004. Over 65,000 have been hired as of December 8th. The CPA's plan is to complete training and equipping of previously hired guards. CJTF-7 began an initial training program on June 7th.

Food

As required by UN Security Council Resolution 1483, the Oil for Food (OFF) program terminated on November 21, when the CPA took over full responsibility for Iraq's Public Distribution System. The transition went smoothly. The CPA will continue the monthly distribution of food rations and medicine, providing important continuity and stability for the Iraqi people. The newly established Coordination Center, jointly staffed by Coalition and Iraqi officials, will manage shipments of food as well as other humanitarian supplies. The Center's role is to ensure the steady, secure, and managed flow of remaining OFF goods and newly procured goods. The CPA worked with the World Food Program (WFP) to extend WFP's logistical support to the Public Distribution System through June 2004.

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These activities will continue to benefit the Iraqi people as Iraq becomes more self-sufficient and transitions to a market-based system. The Iraqi Ministry of Trade will increasingly assume responsibility for the procurement and overall management of the food pipeline. The Coalition and the World Food Program will assist the Trade Ministry as needed.

Health

The Ministry of Health (MOH) continues to enhance its capabilities and is working with the CPA to improve the quality of and access to health care for the Iraqi people. Along with USAID, the CPA and the MOH are working to develop a Health Sector Master Plan.

Public health spending has increased 26 times compared to the level of spending under Saddam Hussein's rule. Doctors' salaries are eight times higher, and pharmaceutical distribution and child vaccination programs have dramatically increased in size and effectiveness: the MOH, supported by USAID and UNICEF, has procured over 30 million doses of vaccines since July.

Electrical Power

CPA efforts are aimed at rapidly achieving pre-war power levels throughout Iraq. By the end of October, production surpassed CPA's planned goal of 3,600 MW to reach 3,948 MW capacity. Necessary long-term repairs and scheduled maintenance are being made at generating plants throughout the country to build a sustainable power grid. Electricity crews are repairing generation units - an essential element of stable power production as they increase efficiency, prevent failures, and increase outputs.

Water and Sanitation

The focus of activities has been on rehabilitating and repairing essential water infrastructure to provide potable water and sanitation to communities and to improve irrigation. Our water and sanitation projects will benefit over 14.5 million Iraqis.

So far, we have repaired over 1,700 critical breaks in Baghdad's water network and begun expanding Baghdad's Saba Nissan water plant. We have completed 98% restoration at the Safwan water pumping station, which will eventually benefit over

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40,000 people. USAID has supported the installation of back-up electrical generators for the pumps at 37 Baghdad water facilities and pumping stations to ensure continuous water supply.

Rehabilitation has also started on Al Basrah's Sweet Water Canal, currently running at less than half capacity. This project will renovate the entire system, including the canal, reservoirs, and water treatment plants, and restore the operation to full capacity.

All of Baghdad's sewage treatment plants are expected to be at full capacity by October 2004, serving 3.8 million residents. Rehabilitation is underway at two sewage treatment plants in Baghdad, Rustimiyah, and Kirkh. Rehabilitation was also completed of 70 of Baghdad's 90 non-functioning waste-water pumping stations.

Oil and Fuels

Iraqi oil production averaged 2.2 million barrels per day (b/d) during the first week of November. Production in the north (Kirkuk) averaged 425,000 b/d and in the south 1.775 million b/d. Iraq's crude oil exports during the first week of November averaged 1.4 million b/d and are expected to increase when security improves along the Kirkuk-Ceyhan pipeline and exports to Turkey resume. On November 16 the CPA reported that since oil exports resumed in July, 115 million barrels have been sold on the world market for a total of almost \$2.7 billion. The CPA estimates that in 2004, if export capability is not interrupted and if oil prices hold at today's levels, approximately \$1 billion per month in revenues from oil exports should be achieved.

Domestic consumption remains approximately 500-600,000 b/d. In October, the refining of kerosene, diesel and gasoline fell due to sabotage of crude oil pipelines supplying the Dawrah and Bayji refineries, forcing the CPA to increase expensive imports. For the first week of November, refined daily levels (in millions of liters unless otherwise noted) were:

	Produced	imported	required	shortage (%)
LPG (tons)	1230	2237	6300	36%
Gasoline	6.7	4.9	17.6	40%
Diesel	9.6	3.1	18	19%
Kerosene	7.4	3.0	18	42%

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The Iraqi State Oil Marketing Organization (SOMO) and the CPA are importing refined products from Turkey, Kuwait and Jordan (2.7 million liters of kerosene, 3.5 million liters of diesel and 5.8 million liters of gasoline per day).

Justice Reform

Since July 2003, the CPA has pursued a number of initiatives in the judicial reform area. An important initiative was the announcement during Secretary Powell's trip to Iraq on September 15 of the independence of the Iraqi judiciary from the Iraqi Ministry of Justice, an arm of the Executive Branch.

The CPA's Office of Human Rights and Transitional Justice worked closely with various committees established by the Governing Council on accountability for the crimes of the previous regime, legal reform and related subjects.

Refugees, Returnees and Internally Displaced Persons (IDPs)

The Governing Council appointed a Minister of Displacement and Migration to address these problems created by the former regime. The Minister is in the very early stages of standing up his ministry, but has actively participated in a number of international fora including the Madrid Donor's Conference and meetings of UNHCR's Executive Committee. Emphasis in the coming months will be on building the capacity of his ministry to formulate and implement policies related to refugees and IDPs. UNHCR and the International Organization for Migration are planning to conduct training seminars for ministry personnel and other Iraqi officials.

Conditions in Iraq are not yet conducive for the large-scale return of refugees and internally displaced persons (IDPs). The CPA and the Ministry of Displacement and Migration are working with the UN High Commissioner for Refugees (UNHCR) to facilitate a large number of voluntary returns, while preparing for the possibility of larger scale returns in 2004. There are 800,000 IDPs in Iraq, and UNHCR estimates that 500,000 Iraqi refugees will seek to return as conditions improve. In addition, Iraq hosts 120,000 non-Iraqi refugees (Palestinians, Iranians, Turks, and Syrians).

Iraqi refugees continue to repatriate from Saudi Arabia under the auspices of UNHCR, with over 3,300 having returned home since July. UNHCR, the Government of Iran the Iraqi

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Ministry of Displacement and Migration and the CPA recently facilitated the first organized repatriation of refugees from Iran. This has led to the establishment of an ongoing program of voluntary returns from Iran. In addition, UNHCR, the Government of Turkey and the Iraqi Ministry of Displacement and Migration are presently negotiating an agreement that would govern the voluntary return of Turkish refugees from Iraq.

Education

Since the beginning of the school year in October, more than 1,774 schools have been rehabilitated, funded in part by 239 grants worth \$3.6 million. USAID workers are making progress on delivering the necessary supplies to schools: secondary and primary student kits, teacher kits, furniture, and textbooks. 4,000 children have been surveyed for five pilot accelerated learning programs.

USAID is also supporting capacity building at the ministry level in education management, information systems administration and finance, and teacher training and resource mobilization. Additionally, five grants were awarded worth over \$15 million to U.S. universities to form partnerships with Iraqi institutions in the areas of archeology, environment and agriculture research, extension programs and legal reform, health, sanitation, and higher education and teacher training.

In late October, a major milestone was passed with the reestablishment of the Fulbright program in Iraq. The program should award the first of 20 scholarships in late December, with Iraqi students arriving in the United States as soon as January 2004. Iraqi education officials are now working with the State Department to select qualified individuals from all regions and all sectors of Iraqi society.

Public Telecommunications

International gateway:

Baghdad's international satellite gateway has been installed and is operational. The first test international calls were placed on October 23. However, no international calls will be made until an agreement is reached between Globecomm (the gateway operator) and the Iraq Telephone and Post Company (ITPC) on international calling. ITPC prepared and sent a draft agreement to Globecomm on November 21.

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The gateway has been integrated with the telecommunications switch in Mamoun (where the gateway is located). By mid-December, the international gateway should be integrated with most of the other switches currently operating throughout Iraq.

Replacement of switches:

Contracts have been awarded for 12 transportable exchange switches to replace switches in Baghdad that were destroyed or damaged during the war or its aftermath. Five of these switches are currently on-site. Of these five switches, one (at Mamoun) has been fully connected to its associated Main Distribution Frame (MDF) and the other four are in the process of being connected to MDF's. Three more switches will be on site by the end of November. All twelve switches are expected to be on-site and connected by mid-February, despite delays that have occurred at several sites due to security concerns. When this work is completed, there will be 540,000 subscriber lines of capability at the central offices in Baghdad, which is the pre-conflict operational level.

The (ITPC) is responsible for connecting the switches/central offices to the end subscriber by cabling and splicing the connections from the MDF's and by repairing the local loops to the subscriber that are inoperative. This part of the work is going more slowly than anticipated. The ITPC has temporarily transferred personnel from other provinces to complete the task but it may not make its target date of February 17, 2004, for reinstating about 240,000 subscribers currently without service.

Fiber backbone:

There is about 4500 kilometer of fiber optic backbone in Iraq. Bechtel has completed an audit of the most important 2000 kilometers of this backbone (serving the majority of the population) and should issue it soon. This audit identifies the different types and condition of the equipment being used over this 2000 kilometer portion of the backbone.

A contract is in the final stages of being awarded for the upgrade of the transmission equipment used over a portion of the backbone from Baghdad to Basra (a distance of about 680 kilometers).

Mobile licenses:

In early October, three consortia have been awarded two-year licenses to build cellular mobile phone systems in Iraq. The licenses are undergoing final due diligence with the CPA and

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the Iraqi Ministry of Communications. In the meantime, the three operators are constructing their networks at their own risk.

Economic Governance

Together with the Ministry of Finance, the Coalition has taken several important steps to encourage macroeconomic stability in Iraq. The Central Bank program to exchange new dinars for old began on October 15, 2003 and will be completed by January 2004. This unifies and strengthens Iraq's currency, a critical component for sustained Iraqi growth. Currently, 2.5 trillion new Iraqi dinars - 57 percent of the goal of 4.36 trillion - are in circulation. Four trillion new dinars - 92 percent of the total - have been received in country. Monetary authorities now influence the exchange rate by conducting a daily auction in which banks exchange Iraqi dinars for U.S. dollars.

The CPA has also worked to assist the Central Bank in procuring and managing a bank-to-bank payment system that allows banks to conduct transactions and other business. Eighty bank branches were part of the system as of late October. Basic training has been provided to bank staff.

CPA, in corporation with USAID, is assisting and consulting with micro-lending programs and expanding employment. More than 50,000 jobs have been created through the CPA-funded National Employment Program. CPA is also working to reform and update commercial laws that would encourage private sector participation, including foreign investment.

Transportation Infrastructure and Ports of Entry

Airports:

As of mid-September, Baghdad and Basrah airports were operational, receiving Coalition and commercial charter flights. Charter flight passengers included contractor, and nongovernmental organization (NGO) personnel. The CPA and CJTF-7 suspended charter flights into Baghdad International airport temporarily after a DHL plane was hit by hostile fire November 23rd.

The Iraqi Civil Aviation Authority (CAA) recently sent 27 air traffic controllers to Jordanian Queen Noor Aviation College for a four-week course, an important first step towards

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recertification as accredited controllers. Additionally, the Ministry of Transportation (MOT) is working to formulate a plan for an airline to fly the Hadj, which will take place at the end of January through beginning of February 2004. Iraqi Airways has never failed to fly the Hadj, and the MOT views it as a service of national and religious importance.

Bridges, Roads, and Railroads:

The primary Coalition objectives are to rehabilitate and repair the damaged transportation systems while focusing on the most economically critical networks. Recently, efforts have focused on repairing three key bridges in Baghdad that link the city with the North.

Work on railways is an integrated U.S.-Iraqi effort: Iraqi Railway Administration contributes equipment and labor while USAID contributes project management, material and parts. USAID is supporting the repair of 92 km of track from Umm Qasr to Shuiaba Junction, near Basra, to ensure that grain shipments from seaport to mills are not jeopardized due to faulty track. Additionally, work was completed on explosive ordinance disposal (EOD) of the rail line project near Shuiaba Junction.

III. International Initiatives

Debt

The CPA is investigating options for helping a post-conflict Iraqi government deal with its financial vulnerabilities, including external debt. Over the last few months, the CPA has worked with the international community to understand Iraq's overall financial and debt situation. At the September, 2003, IMF/World Bank meetings in Dubai, G-7 Finance Ministers called on the Paris Club to try to complete restructuring of Iraq's debt before the end of 2004 and urged non-Paris Club creditors to cooperate in this effort. Importantly, Paris Club creditors have reached consensus not to expect Iraq to service its debt obligations until at least 2005. Working within the Paris Club, the CPA has collected data on Paris Club creditor claims, including U.S. claims, on Iraq. At the same time, the IMF has requested data from non-Paris Club members on their Iraqi claims. The United States supported the IMF data call and urged countries to respond quickly and fully to the IMF's request. We understand that the IMF has almost completed the data call and will release the results soon.

International Donors

In late October, international donors pledged more than \$33 billion for Iraqi reconstruction over the next four years at a Donors Conference in Madrid. Key pledges came from the United States (\$20 billion); Japan (\$5 billion); the European Union (\$1.44 billion); the Republic of Korea, (\$200 million); and Canada (\$150 million). A trust fund facility managed by the World Bank and the United Nations is being created to receive and distribute the new funds for those donors that choose to use this channel.

IV. Transition to DemocracyGovernmental and Constitutional Development

On November 15th, the GC announced their support for a process that will involve creation of a new transitional administration that will assume full powers for governing Iraq by July 2004. Under this plan, Iraqis will draft a "Fundamental Law" that will formally set forth the scope and structure of the Iraqi transitional administration. Through a system of caucuses in each of Iraq's 18 provinces, Iraqis will select a broadly representative Transitional National Assembly. This assembly will elect a temporary government to which the CPA will transfer full authority. GC members will be allowed to serve in the transitional assembly, if elected in accordance with the transparent and democratic process set out in the plan. The CPA will dissolve upon the establishment and recognition of the transitional administration; the United States expects to open an embassy in Iraq at that time.

Local Governance

Significant progress has also been made in local governance. This is critical to building "Iraq for the Iraqis," and to promoting cooperation among different political, religious and tribal groups. Over time, this effort should help break down rivalries among Iraq's diverse political, cultural and religious factions.

CPA local governance teams are working with Iraqi institutions to promote a culture of public service and a government accountable to its citizens. Teams are also working with citizens and civil society organizations to identify their

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needs and priorities, and to facilitate communication of those needs back to their government representatives.

Baghdad's neighborhood councils are functioning. Councils or legislatures govern Iraq's 18 governorates (provinces). Iraqi neighborhood, district, and provincial councils represent the needs and opinions of their constituents to the GC, the CPA, and international assistance organizations, as well as to Iraqi NGOs and businesses. Provincial, municipal and Baghdad neighborhood councils are working together in non-partisan fashion to improve basic services such as water and sanitation, education and health. With USAID economic assistance, municipal and provincial councils are contracting with Iraqi businesses and NGOs, which will help strengthen Iraqi businesses, the councils themselves and Iraqi voluntary organizations. The municipal and provincial councils soon will play a key role in helping to elect the transitional assembly.

Over 1,060 rapid response grants, worth over \$50 million, have been awarded to date to increase Iraqi participation in local government decisions. Iraqi officials in local service departments plan, budget, and manage their resources. Iraqis themselves have committed \$3.6 million to projects being conducted in their communities - totaling 18 percent of total project funding. The commitments come primarily in labor, land, buildings, and in-kind contributions.

IV. Military Operations

CJTF-7 and Coalition members continue to make progress in stabilizing Iraq's overall security situation. CJTF-7 is increasingly successful in preventing planned hostile attacks; and in capturing former regime loyalists, would-be terrorists and planners; and seizing weapons caches. Many of these successes are due to the help of increasing numbers of Iraqi citizens coming forward with intelligence information.

Challenges remain. General Abizaid stated on November 13th that there are approximately 5,000 anti-coalition fighters. Recent attacks have been more sophisticated, indicating that hostile foreign infiltrators are cooperating with former regime loyalists. Criminal elements also are involved in hostile attacks. Although the majority of hostile attacks occur in the Sunni Triangle (Baghdad, Tikrit, Falluja), recent attacks have occurred in the northeastern cities of Mosul and Kirkuk. Attacks reveal more information about planners, methods and

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planning sites of hostile elements, thus assisting in the prevention of attacks.

The international coalition now comprises 33 countries, with approximately 25,000 military personnel from countries other than the United States. The United States continues to work with a number of countries in an effort to encourage additional force contributions. Approximately 130,000 U.S. forces are currently in Iraq. The President has stated that the United States will adjust its deployment of U.S. forces to Iraq as we reassess security conditions. The Coalition will prevail in securing "Iraq for the Iraqis."

As the President has indicated previously, it is not possible to know at this time either the duration of the military operations or the scope and duration of the deployment of United States Armed Forces necessary for the full accomplishment of our goals.

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