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WORKING PAPERS

Iraq Status

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Highlights



Priorities:

- ï Governance
- ï Security
- ï Essential Services
- ï Economy

Objectives:

- ï Support the Interim Iraqi Government
- ï Build Justice
- ï Reconstruct Communications & Postal Systems
- ï Reconstitute Oil Infrastructure

Weekly Highlights:

- ï The formal transfer of sovereignty was announced at a ceremony on 28 Jun, two days ahead of schedule
- ï Recent polling shows a high level of support (68%) for the Interim Iraqi Government
- ï Saddam Hussein appeared in an Iraqi court to hear preliminary charges of war crimes and crimes against humanity read out against him
- ï Total number of telephone subscribers in Iraq is now over 1,252,000 (inc. 461,000 cell phone subscribers) - 50.3 % above pre-war levels
- ï Estimated crude oil export revenue is around \$8 billion for 2004



Governance



- ï **The formal transfer of sovereignty to the Interim Iraqi Government took place at a ceremony on 28 Jun, two days ahead of schedule**
 - ñ **Ambassador Bremer announced the formal dissolution of the Coalition Provisional Authority (CPA)**
- ï **Recent poll shows a high level of support (68%) for the Interim Iraqi Government and new leadership**
- ï **The same poll also indicate that a large proportion of Iraqis expect that the upcoming elections for the National Assembly will be free and fair**
- ï **The Government of Iraq is preparing for the selection of a National Council to oversee the government and cabinet council of Ministers**
 - ñ **Assistance is being provided by an NGO funded by USAID**
- ï **Kuwait announced the resumption of diplomatic relations with Iraq, severed since Saddam Hussein's forces invaded the emirate in 1990**

Objectives: Governance

Support Transition to Sovereignty; Develop Civic Participation in Governance; Develop Framework and Capacity for Elections; Promote Respect for Human Rights; Promote Durable Solutions for Refugees and Internally Displaced Persons (IDPs)



Governance (Cont.) - National Transition

2004

08 Mar

Transitional Administrative Law signed

01 Jun

Iraqi Interim Government (IIG) Announced and Governing Council dissolved

Phase I
(Interim Government)

04 Jun

Election Commission established

28 Jun

Transfer sovereignty from CPA to IIG

Jul

National Conference convenes and selects Interim National Council

2005

31 Jan

Elections for the National Assembly complete: NLT 31 Jan 05

Early i05

Iraqi Transitional Government takes power

Phase II
(Elected Government)

15 Aug

National Assembly completes draft of permanent constitution

15 Oct

Referendum for permanent constitution

15 Dec

Elections for government completed

31 Dec

Elected government assumes office



Essential Services - Water and Sanitation

- ï **A strategic approach for repairing and maintaining the Sweet Water Canal and for providing potable water to Basrah is being developed**
 - ñ **PCO, USAID, the Ministry of Water Resources, and the Ministry of Public Works are working together**
- ï **A substantial increase in access to potable water should result as work on a number of treatment plants and systems is completed in the second half of 2004, including:**
 - ñ **Baghdadís Shark Dijlah plant will benefit 750,000**
 - ñ **Ad Diwaniyah plant will benefit more than 80,000**
 - ñ **An Najaf plant will benefit 560,000**
 - ñ **Ninawaí Governorate plants will benefit 50,000**
 - ñ **Fallujah plant will benefit more than 200,000 people**

Objective: Provide Water Supply, Sewerage & Municipal Services

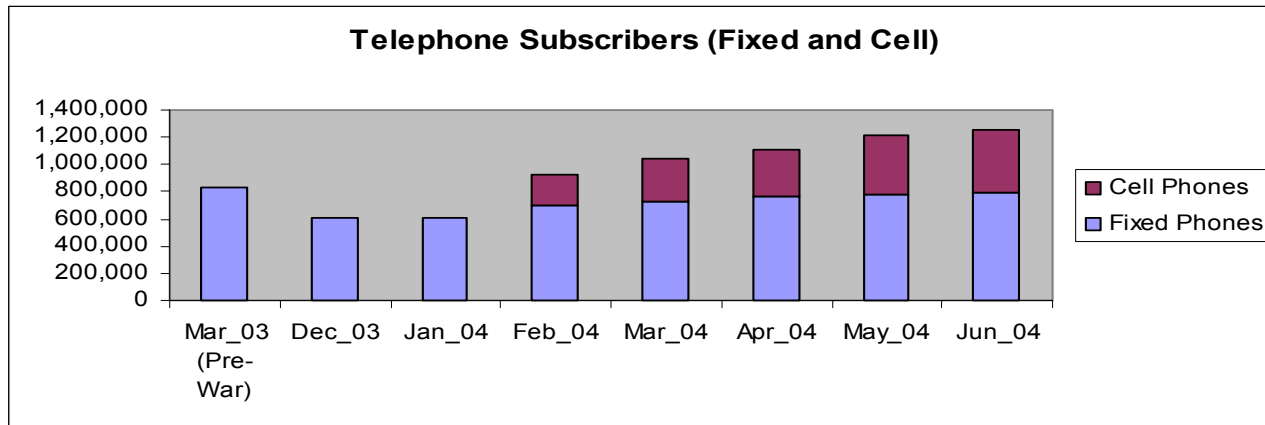
Create viable organization to deliver water/sewerage/municipal services (WSMS); Expand WSMS to meet national needs; Develop full range of municipal services & inclusive delivery mechanism; Infrastructure improvements to water resource system; Facilities improvements & capacity building within Ministry



Essential Services - Telecommunications



- ï Total number of telephone subscribers in Iraq is now over 1,252,000 (inc. 461,000 cell phone subscribers) - 50.3 % above pre-war levels



- ï Over 3,300 radios have been installed as part of the Baghdad Digital Network, representing 100% of those under contract
 - ñ Provides emergency communications capability for police, fire and emergency medical technicians

Objectives: Reconstruct Communications & Postal Systems

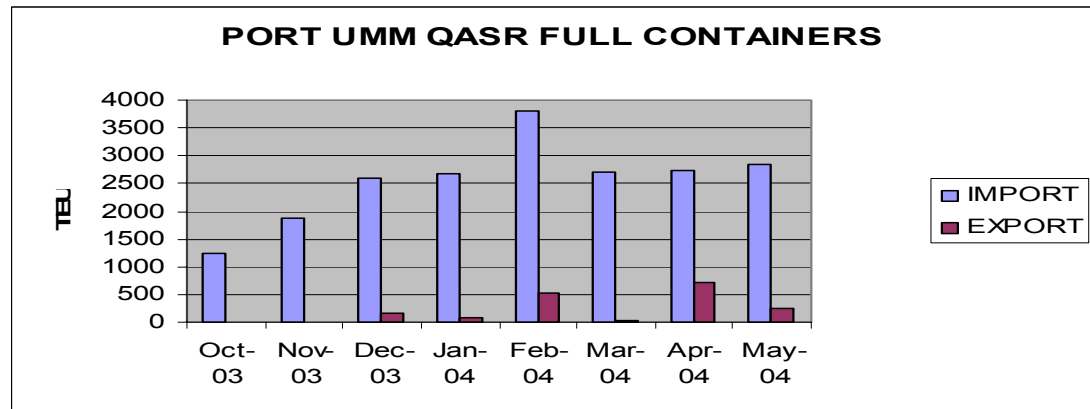
Build Iraqís first responder network ï Establish independent regulatory agency ï Upgrade Iraqi Telephone and Postal Company (ITPC) network ï Build transmission component data network for Iraq, inc. international gateways ï Restructure ITPC and its business operations ï Upgrade and modernize postal systems ï Upgrade ITPC outside plant for increased subscriber capacity and use



Essential Services - Transportation

- ï **USAIDís program for the management of the Port of Umm Qasr was completed on 30 Jun**
- ï **Since the port re-opened to commercial traffic in Jun 03, achievements include:**
 - ñ **Over \$18 million in operating revenues were generated**
 - ñ **Over 280 vessels, 1.2 million metric tons of cargo, and 8,000 people have moved through the facility**

- ï **Chart shows # of full containers (Twenty Foot Equivalent Units (TEU)) processed through Port Umm Qasr from Oct 03 through May 04**



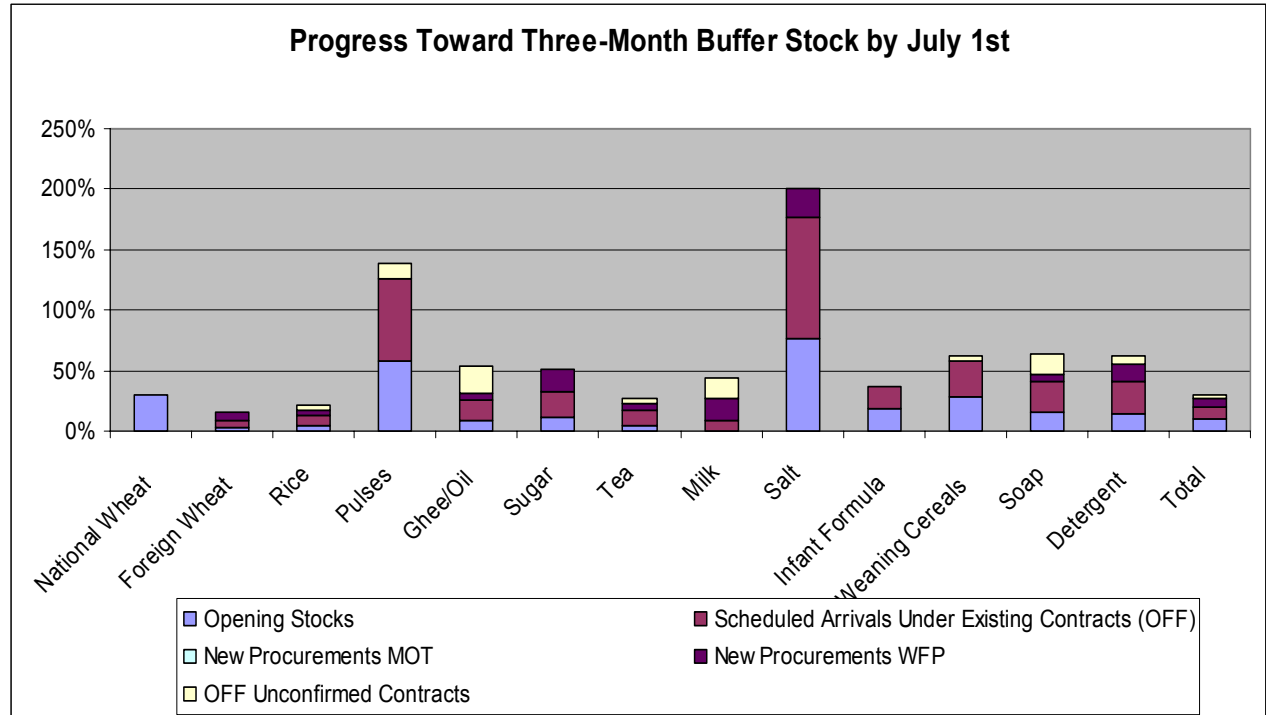
Objectives: Restore Economically Strategic Transportation Infrastructure

- Enable Iraqi civil aviation to prepare for international commercial aviation and cargo service
- Enable Iraqi Port Authority to administer a port of call with intermodal capabilities and inland container distribution
- Enable Iraqi Republic Railways to provide domestic and international passenger and freight capabilities
- Reform civil service at Ministry of Transportation



Essential Services - Food Security

- ï Chart below shows % of estimated requirements for Public Distribution System (PDS) goods from Apr- 01 Jul
- ï Requirement includes stocks sufficient for the period and a three month buffer for 01 Jul
- ï While substantial additional shipments of most goods have been procured, they are not shown as these shipments will arrive after 01 Jul



Objective: Provide Food Security for all Iraqis

Enhance capacity of Ministry of Agriculture ï Assure supply of inputs ï Strengthen research system ï Ensure adequate stocks for Public Distribution System (PDS) ï Monitor food security ï Environmental Initiatives



Essential Services - Food Security (cont)

- ï **Food availability throughout Iraq has improved through the combined efforts of the Coalition and the Interim Iraqi Government:**
 - ñ **Tenders for procurement of all commodities needed through the end of the year, including the three-month buffer, are complete and will be issued by Ministry of Trade (MOT) in the coming weeks**
 - ñ **Both wheat and rice stock levels are above 30 days, excluding the national wheat harvest**
 - ñ **The MOT has concluded contracts with two Iraqi firms and a Turkish firm to supply 200,000 metric tons of flour in Jul and Aug**
 - ñ **Harvest of national wheat through the end of Jul will ensure that there is an additional two months supply of wheat**
 - ñ **Three berths are now operational at Umm Qasr with a combined off-load capacity for wheat in excess of 15,000 metric tons per day**
 - ñ **Security on the highways has been enhanced and the ability of trucks to transport wheat and rice is being closely monitored**
 - ñ **Financial incentives for truck drivers have been implemented**



Essential Services - Health Care

- ï **Estimated that 85% of Iraqi children have now been immunized**
- ï **240 Iraqi hospitals and over 1,200 preventive health clinics are operating**
 - **Iraqi non-governmental organizations are using USAID assistance to rehabilitate health facilities throughout the country**
- ï **Supplemental funds are targeting construction of primary health care clinics in every governorate and rehabilitation of 16 pediatric/maternal hospitals**
- ï **The Minister of Health approved a \$11.5 million emergency drug purchase**
 - ñ **This is the second phase of a program to reduce the occurrence of shortages of critical pharmaceuticals across the country**
- ï **Training for medical professionals and support for primary health care centers is improving the awareness and treatment of malnutrition**

Objective: Improve Quality and Access to Health Care

Develop health care organizations, management, & infrastructure; Train health care professionals; Pharmaceuticals logistic support; Public health



Essential Services - Education

- i **Primary, intermediate, and secondary students have completed their final examinations for the school year with minimal disruption**
- i **With support from USAID, Iraqi government agencies are conducting a various vocational training programs to help alleviate unemployment and supply appropriately skilled workers, including:**
 - ñ **A 90-day agricultural training course for youth in southern Iraq**
 - ñ **An Information Technology training program will train 1,000 young Iraqis in southern Iraq**
- i **To date, over 32,000 secondary school teachers and 3,000 supervisors have been trained as part of effort to upgrade the quality of education**
- i **Nearly 2,500 schools have been rehabilitated to date and an additional 1,200 are expected to be complete by the end of the year**

Objective: Improve Quality and Access to Education

Reorganize and staff the Ministry of Education; Rehabilitate school buildings and build new schools; Advance national dialog on curriculum reform; Continue and expand teacher training



PCO Developments

- ï **The former Program Management office is now the Project and Contracting Office**
- ï **The Accelerated Iraq Reconstruction Program (AIRP) continues to gain momentum nationwide to meet urgent local needs**
- ï **Projects and requirements were developed as a joint effort between various US and Iraqi agencies, and local community leadership**
- ï **Projects cover: water and sanitation, health, education, building, roads, power, telecommunications, and various other**
- ï **Achievements of the AIRP include:**
 - ñ **Over 11,000 Iraqis have been directly employed on projects to date**
 - ñ **Over \$303 million was under contract at 30 Jun, which surpasses the AIRP goal of \$250 million by this date**
 - ñ **Jump starts community essential services construction and improves Iraqis quality of life**
 - ñ **Stimulates local economy**
 - ñ **Provides opportunities for local businesses**



Project and Contracting Office Developments

- ï **The former Program Management Office (PMO) has been renamed the Project and Contracting Office (PCO)**
- ï **Major construction accomplishments to date include:**
 - ñ **Tadji Military Base, Phase III**
 - ñ **Kirkush Military Training Base - Base Utilities**
 - ñ **Public Safety Academy, Baghdad**
 - ñ **Civil Defense Headquarters, Baghdad**
 - ñ **Counter Terrorism Training Facility, Baghdad**
 - ñ **Ministry of Environment, Baghdad**
 - ñ **Nasiriyah Power Generation Water Intake**
 - ñ **Khor Al Zubayr Generation Rehabilitation**
- ï **The Accelerated Iraq Reconstruction Program (AIRP) continues to gain momentum nationwide to meet urgent local needs**
 - ñ **Over 11,000 Iraqis have been directly employed on AIRP projects**
 - ñ **Over \$303 million was under contract at 30 Jun, which surpasses the AIRP goal of \$250 million by this date**



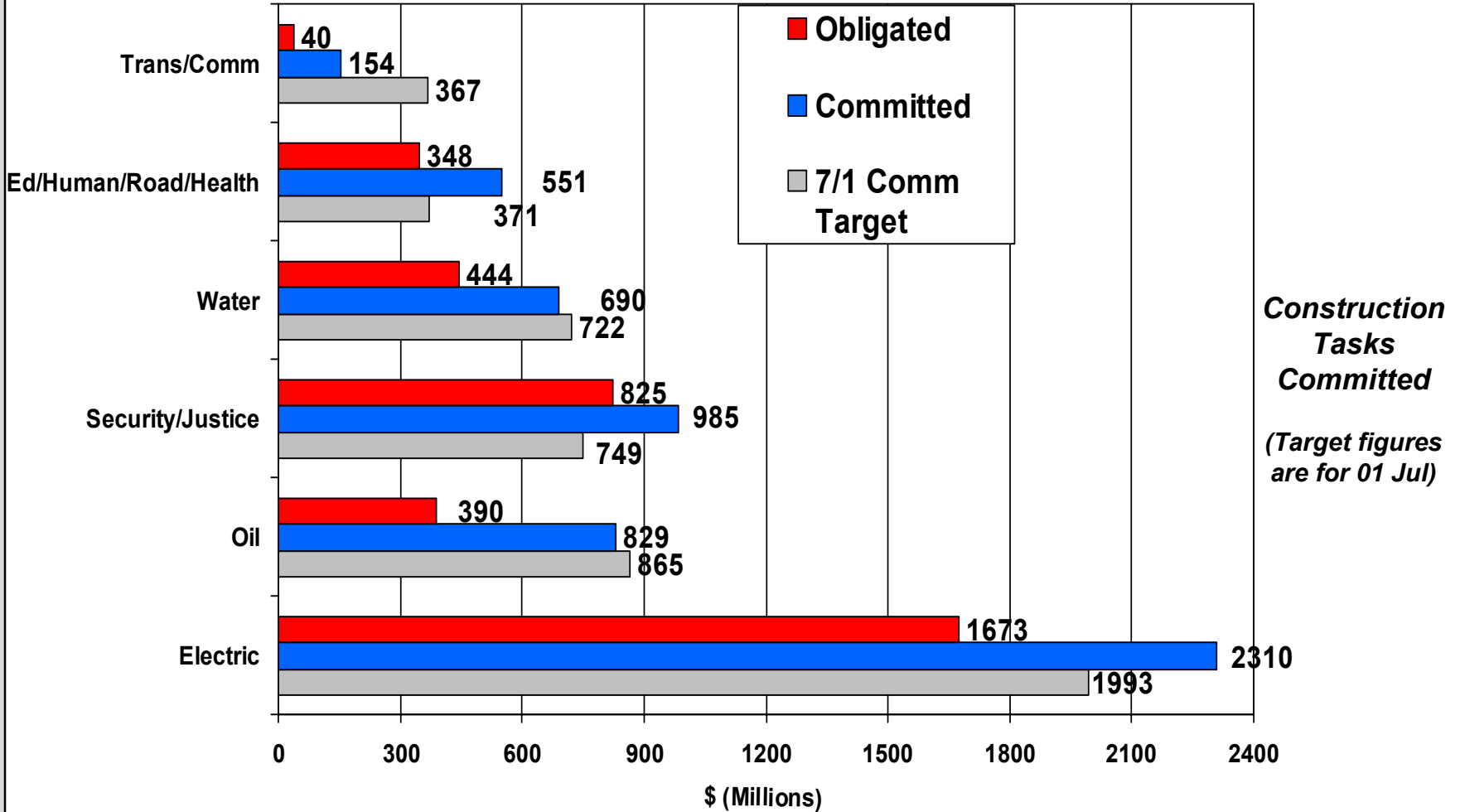
Project and Contracting Office (PCO)



Sector	2207 Report	Apportioned \$M	Committed \$M	Obligated \$M	Expenditure \$M
Security and Law Enforcement	3,243	2,976	2,264	1,431	213
Electricity Sector	5,539	2,538	2,405	1,707	111
Oil Infrastructure	1,701	1,701	1,648	916	16
Justice, Public Safety, and Civil Society (less Democracy)	1,038	825	542	269	14
Democracy	451	451	415	270	8
Education, Refugees, Human Rights, Governance	259	259	229	48	8
Roads, Bridges, and Construction	370	270	246	123	0
Health Care	793	512	474	283	0
Transportation and Telecommunications	500	467	363	71	4
Water Resources and Sanitation	4,148	816	799	450	0
Private Sector Development	184	136	100	42	16
Admin Expense (USAID, CPA Successor)	213	29	29	29	10
TOTAL	18,439	10,980	9,514	5,639	400
CONSTRUCTION	12,406	5,740	5,519	3,720	
NON-CONSTRUCTION	5,582	4,789	3,580	1,649	
DEMOCRACY	451	451	415	270	
Total	18,439	10,980	9,514	5,639	400



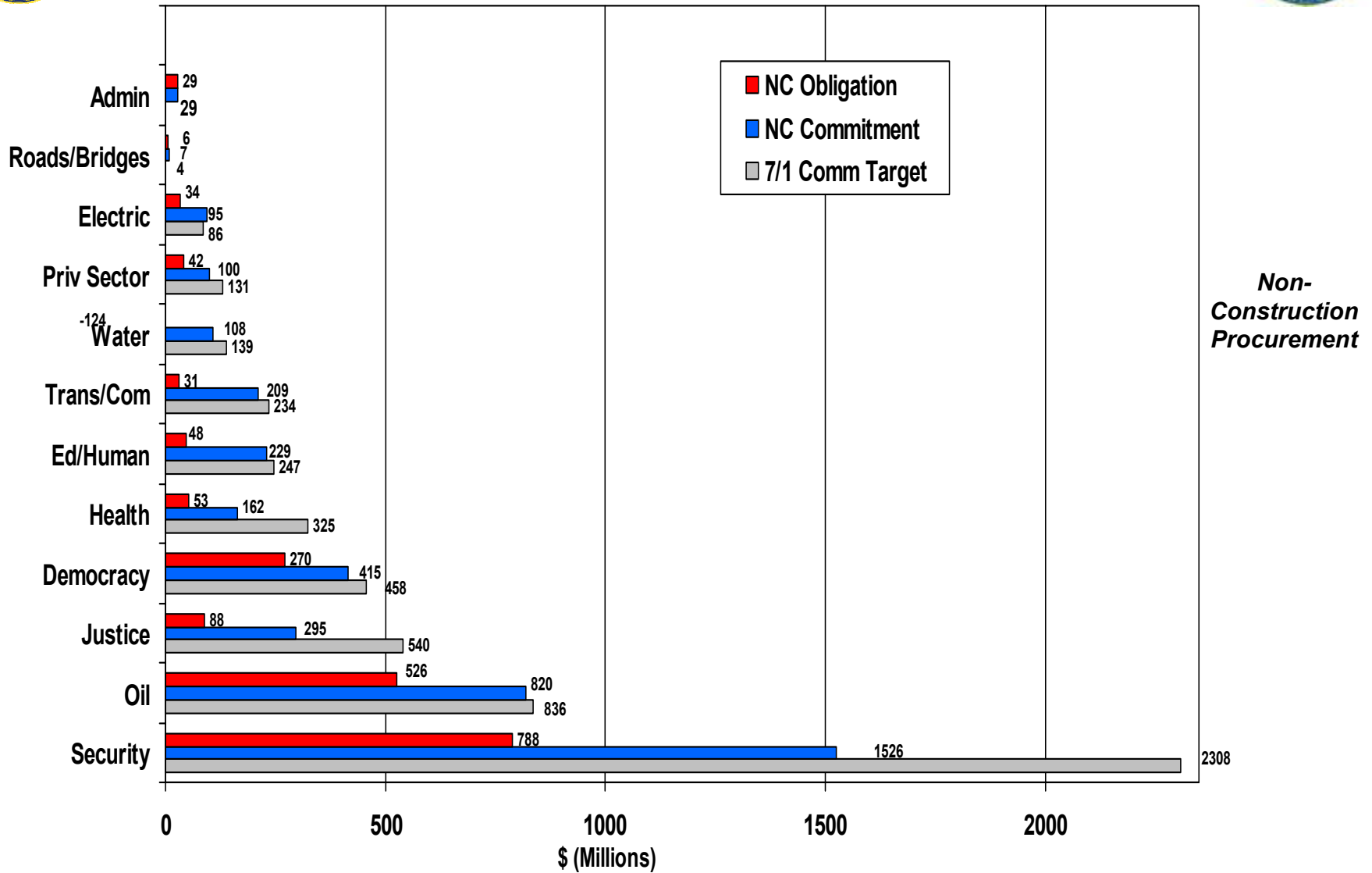
Project and Contracting Office (PCO) (Cont.)



PMO Web-site Portal:
www.rebuilding-iraq.net



Project and Contracting Office (PCO) (Cont.)





Economy



- ï On 27 Jun, estimated crude oil export revenue was around \$8 Billion for 2004
 - ñ Revenues in June affected by attacks on northern and southern pipelines
- ï In Jan 04, the Ministry of Planning reported a national unemployment rate of 28 % and an underemployment rate of 21.6%
- ï According to a recent poll of Iraqis, 59% said that Iraqís economic situation is better than it was before the war
- ï In the same poll, nearly 59% of respondents expect the economic situation to improve over the next 6 months
- ï The Consumer Price Index for May in Iraq declined by 1.2 percent relative to its level in April
- ï The New Iraqi Dinar was at 1,460 dinars per dollar on 27 Jun, and has been stable for over four months

Economic Objectives:

Build Financial Market Structures; Develop Transparent Budgeting And Accounting Arrangements; Private Sector Initiatives; Lay Foundations For An Open Economy; Pursue National Strategy For Human Resources Development



Economy (Cont.)



- The Iraq Stock Exchange opened on 24 Jun for the first time since the fall of the Ba'athist regime**
- ï The mid-market loan program has been launched with the creation of Iraq Mid-Market Development Foundation, a separate legal entity that will channel \$140 million of medium term loans to Iraqi companies and banks**
- ï The Kurdistan Trade Forum was held in London during the last week of June to promote investment opportunities in the northern governorates of Iraq**
- ï The Japanese government approved \$290 million in emergency grants for rebuilding infrastructure**
 - ñ These grants are part of the \$1.5 billion aid pledged by Japan last October**
- ï The Ministry of Finance is implementing a 10 percent hotel and restaurant tax that will apply to deluxe hotels or first class restaurants.**
 - ñ USAID assistance has included the development of educational materials for businesses and training for tax administrators**



Iraqi Budgeted Spending for 2004



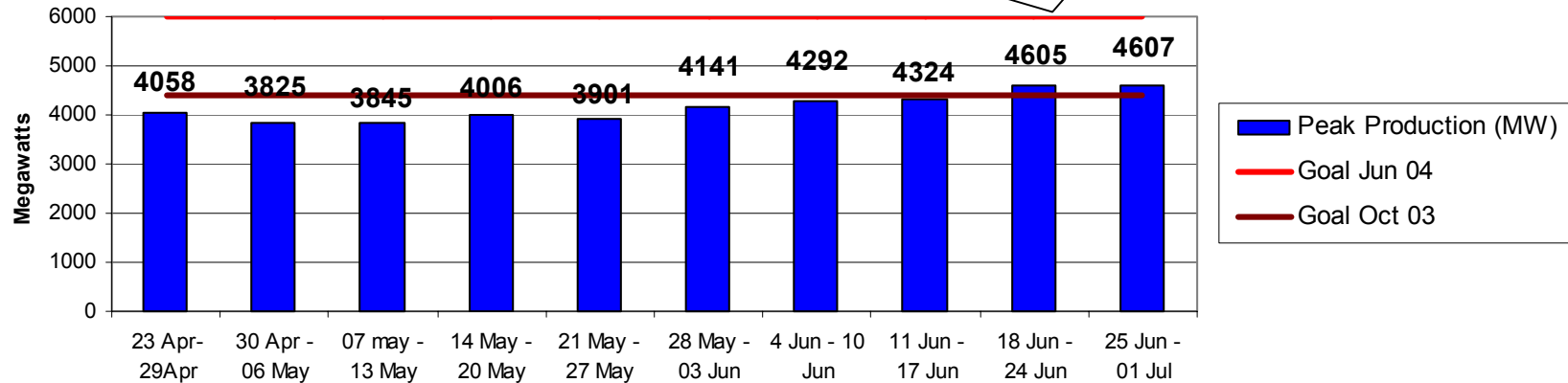
ii The following chart shows budgeted Iraqi spending for 2004, from all revenue sources:

Ministry funding in millions of US\$	Revised Iraqi Budget, March 2004					New OFF	Budgeted Total
	Salaries (inc. FPS)	Other Operating Expenses	Capital Projects	Other	Total	Deposits	
Finance (with selected major payments)*	17	12,938	184	814	13,953	1,580	15,533
<i>Public Distribution System</i>		2,400			2,400	200	2,600
<i>Fuel Imports</i>		2,100			2,100	0	2,100
<i>Transfer Payments</i>		1,671			1,671	0	1,671
<i>Foreign Obligations (e.g., reparations)</i>		1,432			1,432	0	1,432
<i>Local/Regional Grants</i>		831			831	0	831
<i>Salaries and Retirement Awards</i>		797			797	0	797
<i>SOE Restructuring and Salary Support</i>		761			761	50	811
<i>Regional Development</i>		600			600	277	877
<i>Nation Building projects</i>		571			571	0	571
<i>Additional Security Projects</i>		500			500	500	1,000
<i>Rapid Regional Response Program</i>		225			225	0	225
<i>CERP</i>		70			70	123	193
<i>All other</i>		981			981	430	1,411
Electricity	8	210	900	-	1,118	315	1,433
Health	230	750	50	-	1,030	0	1,030
Education	682	103	170	-	955	0	955
Transport	7	82	212	-	301	0	301
Housing	37	17	233	-	287	0	287
Oil	5	56	200	-	261	460	721
Public Works	15	21	166	-	202	0	202
Water Resources	19	7	128	-	155	0	155
Interior	367	108	10	-	485	0	485
Justice	42	67	42	-	151	0	151
Defense	77	24	0	-	101	0	101
Other Agencies	265	425	237	-	927	130	1,057
TOTAL	1,773	14,809	2,532	814	19,926	2,485	22,411



Electricity Overview

Goal Jun 04: 6,000 MW Peak Deliverable Generation Capacity

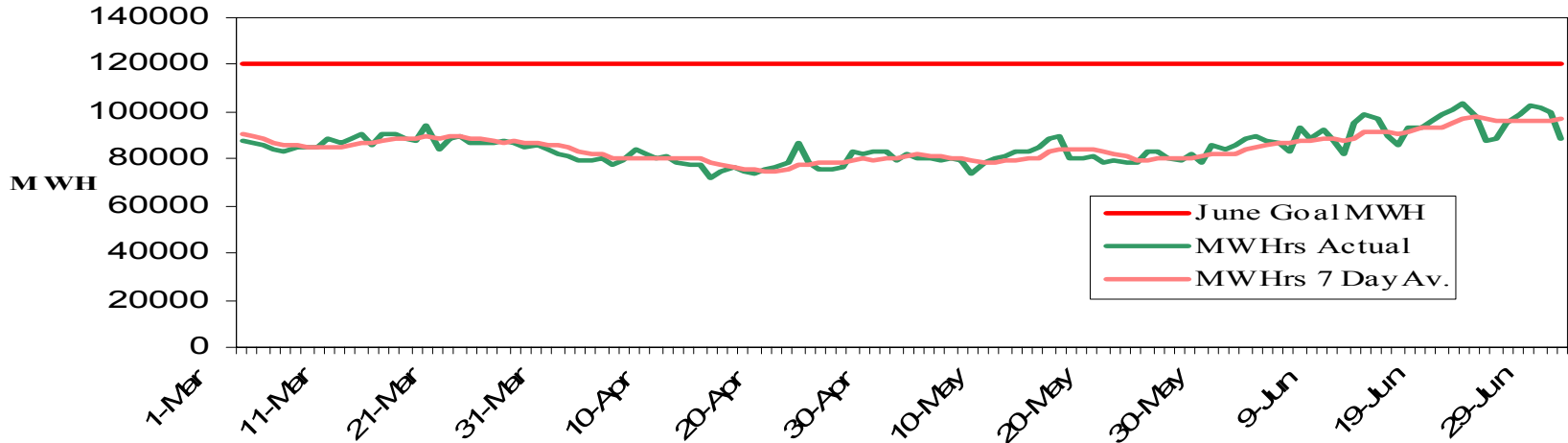


- ï Due to unforeseen problems, achievement of the Jun goal has slipped until at least Jul
- ï Spring maintenance program continues resulting in about 620 MW of generation capacity currently offline for scheduled and 640 MW for unscheduled maintenance

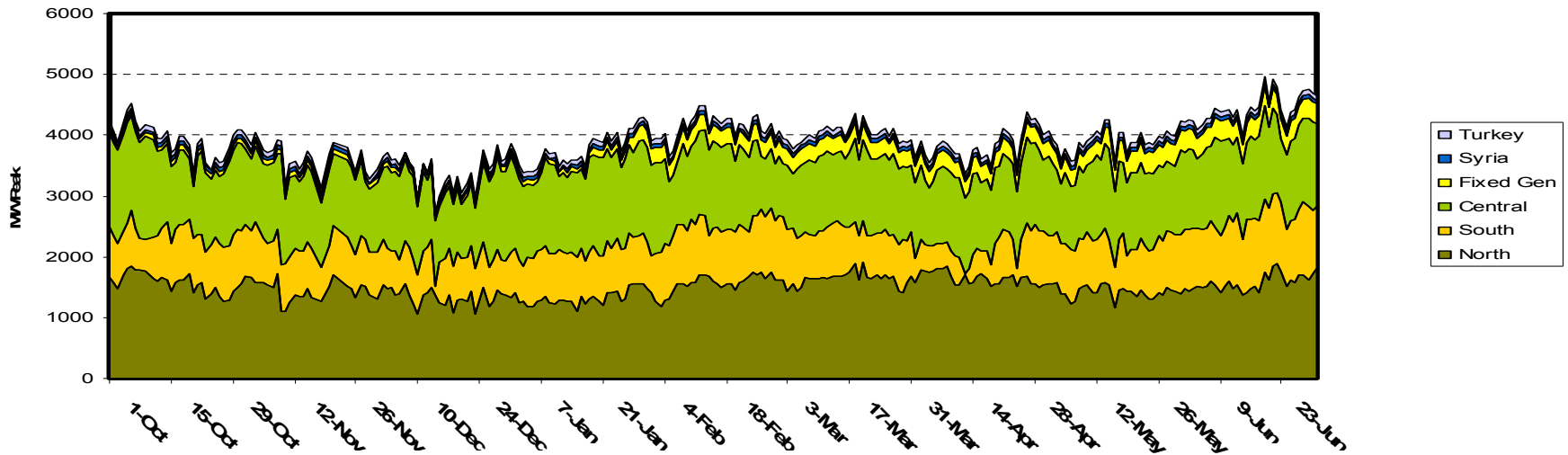


Power Production

Mega Watt Hour Production

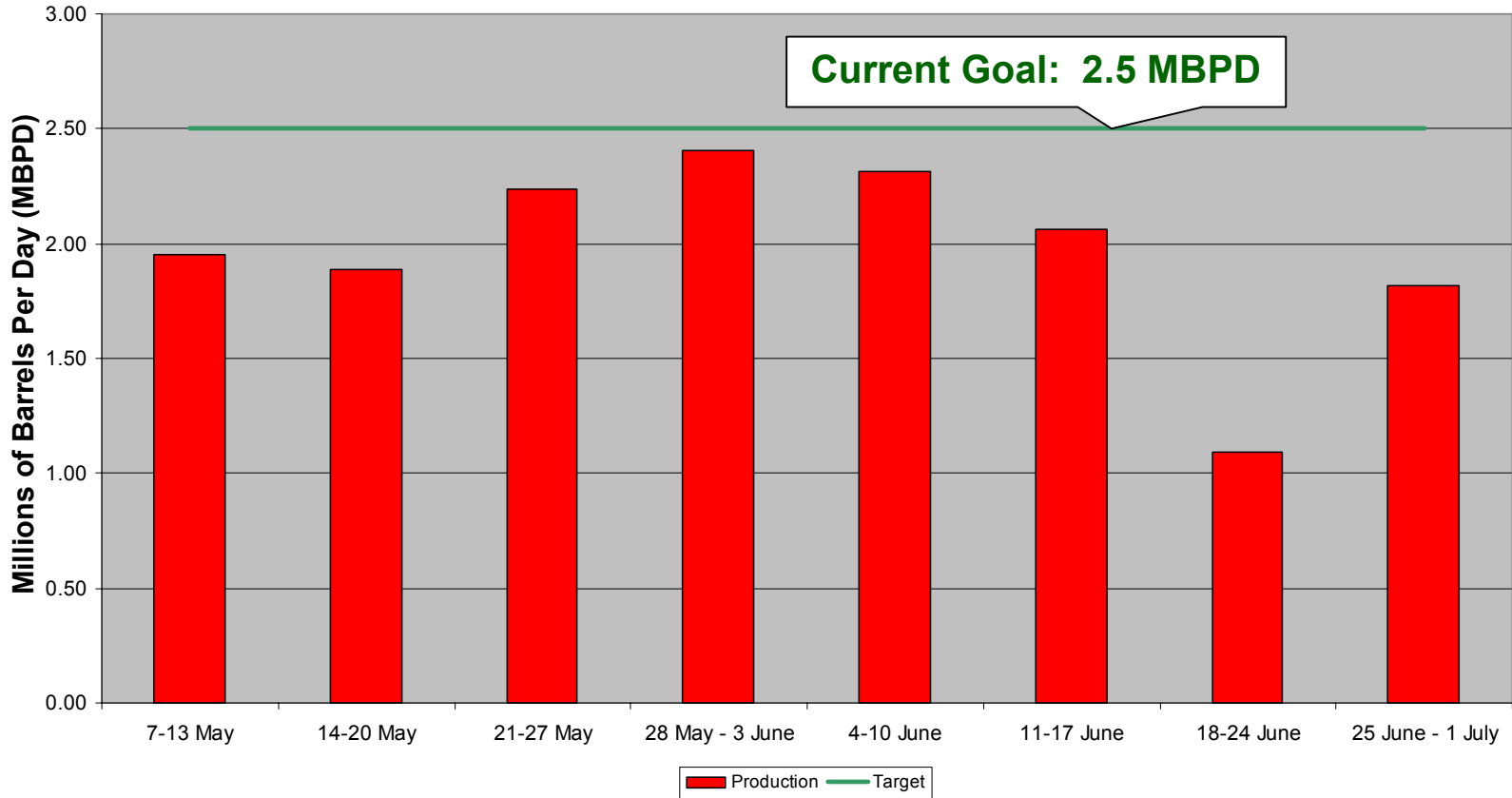


Generation By Region





Crude Oil Production



Weekly Average of 1.815 MBPD Is Below Target of 2.5 MBPD

ï Long Term Target (Dec 04): 2.8 - 3.0 MBPD (Pre-War Capacity)

ï Pre-War Peak: 2.5 MBPD in Mar 03

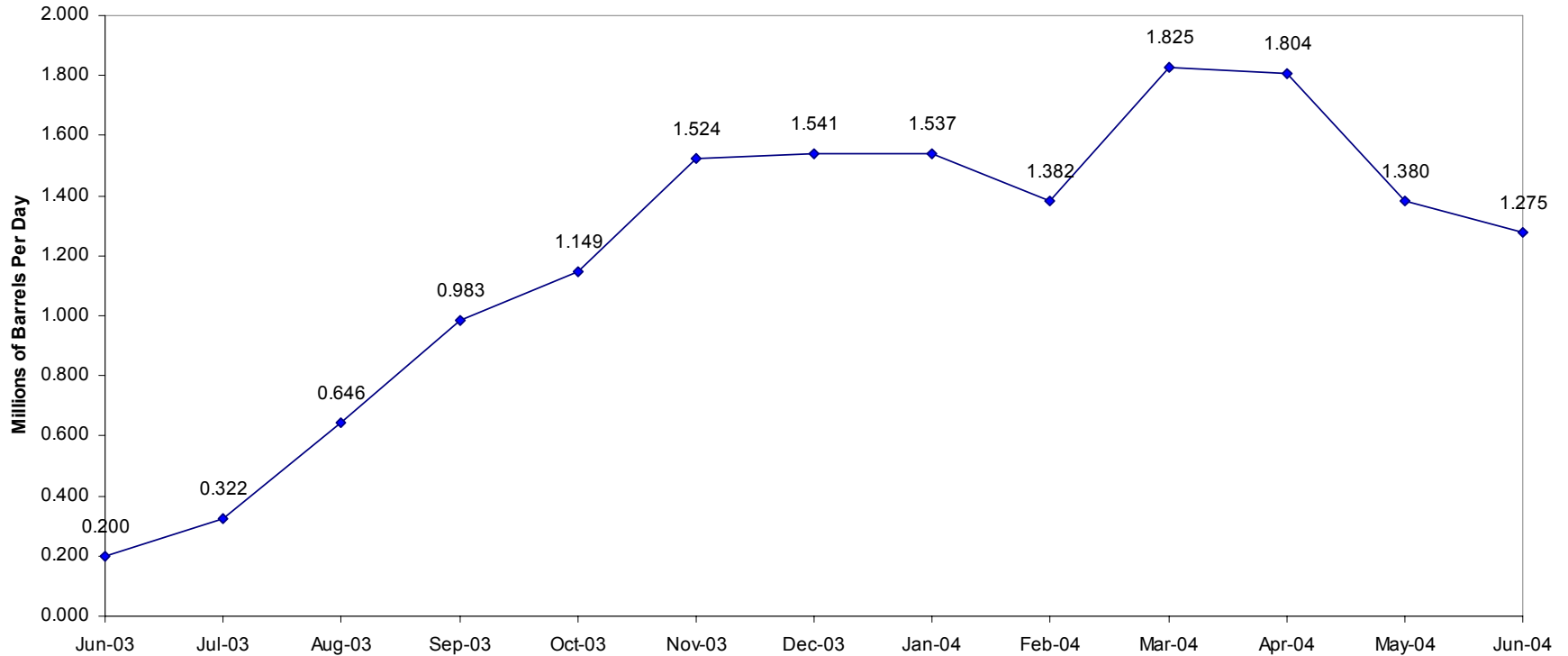
ï Post-war Peak: 2.595 MBPD on 16 Apr 04



Crude Oil Exports



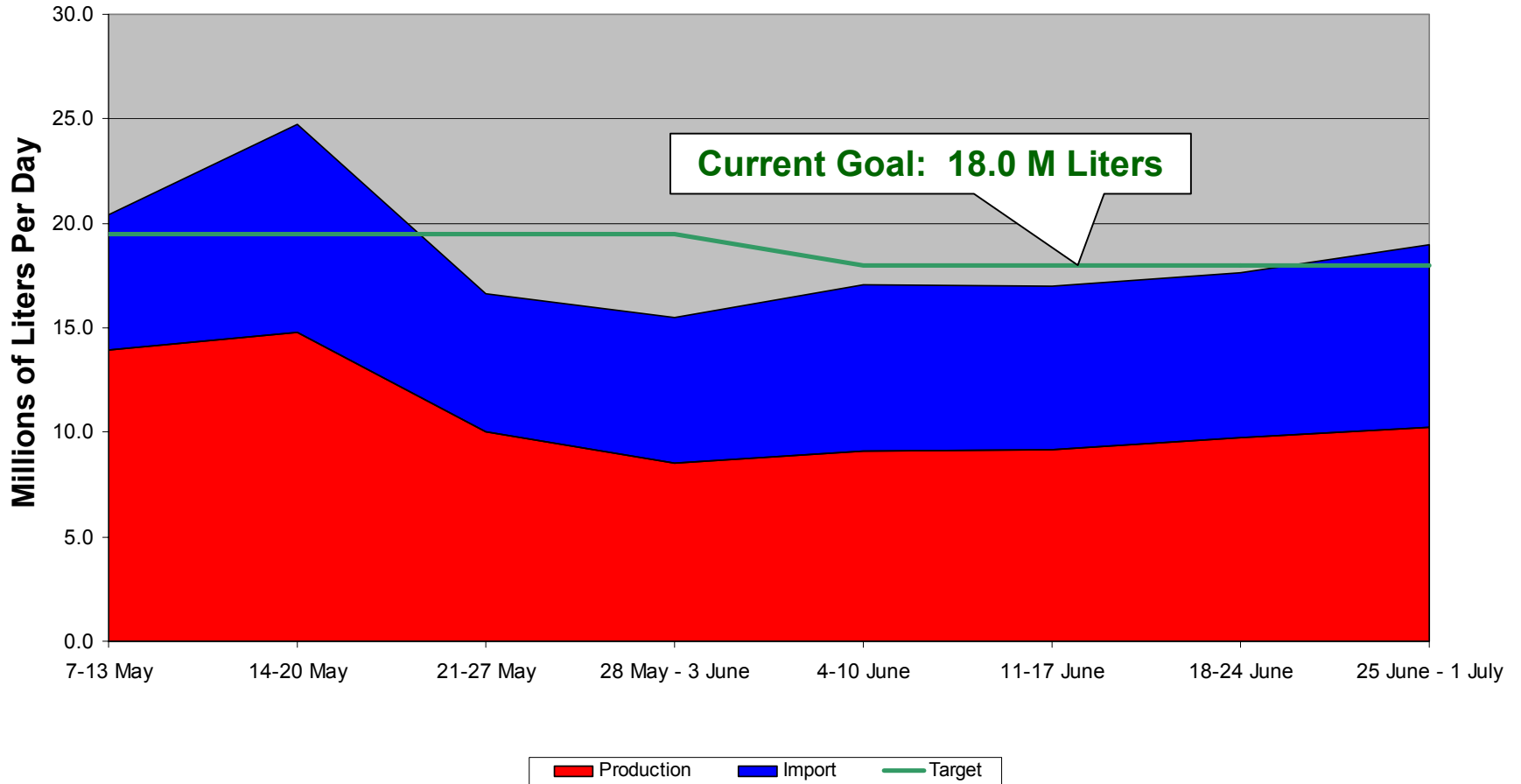
Monthly Average of Crude Oil Exports



ï Current Monthly Average: Jun data up to 27 Jun. No data for Jul



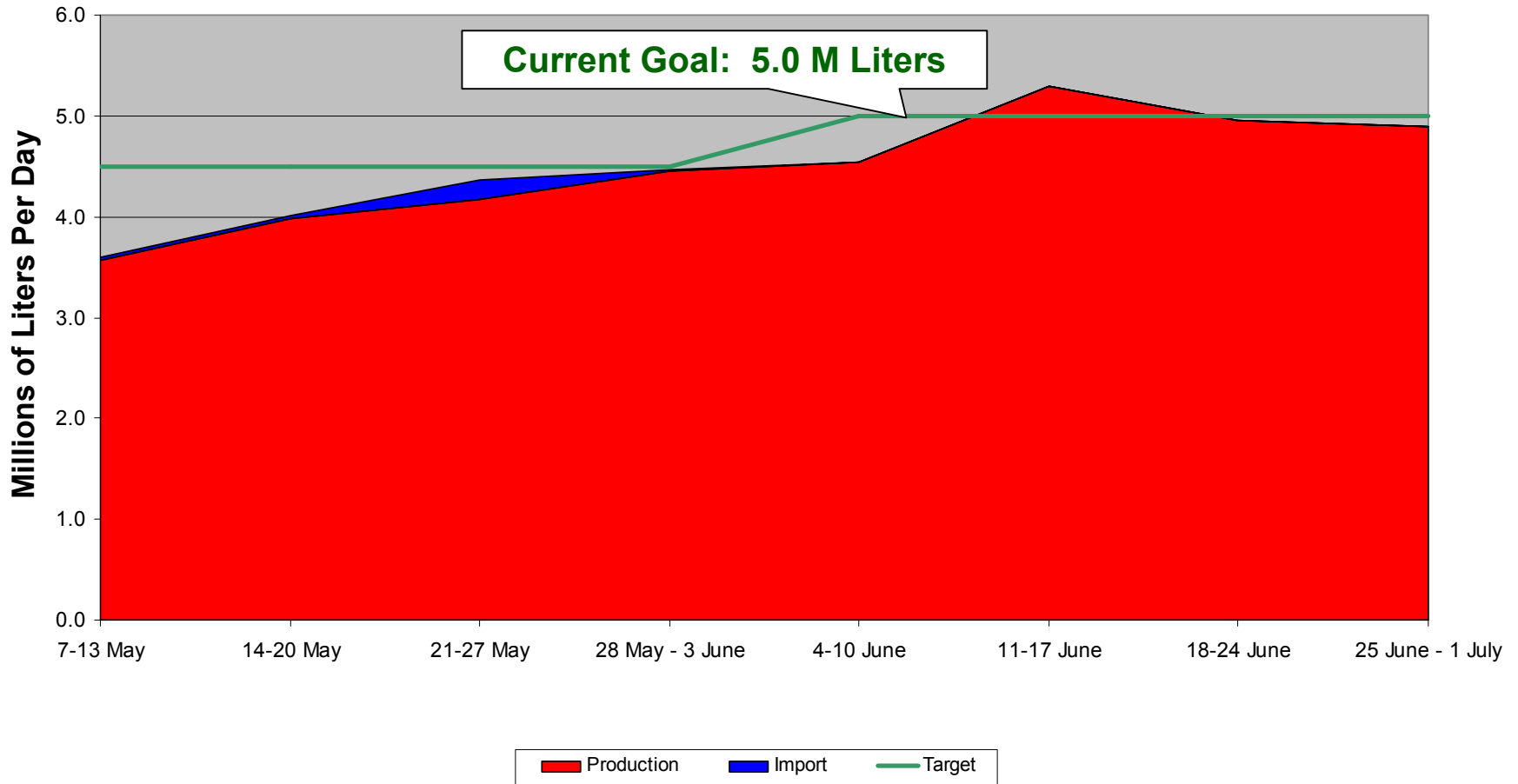
Diesel Supply



ï This week's average production and imports are 105% of goal



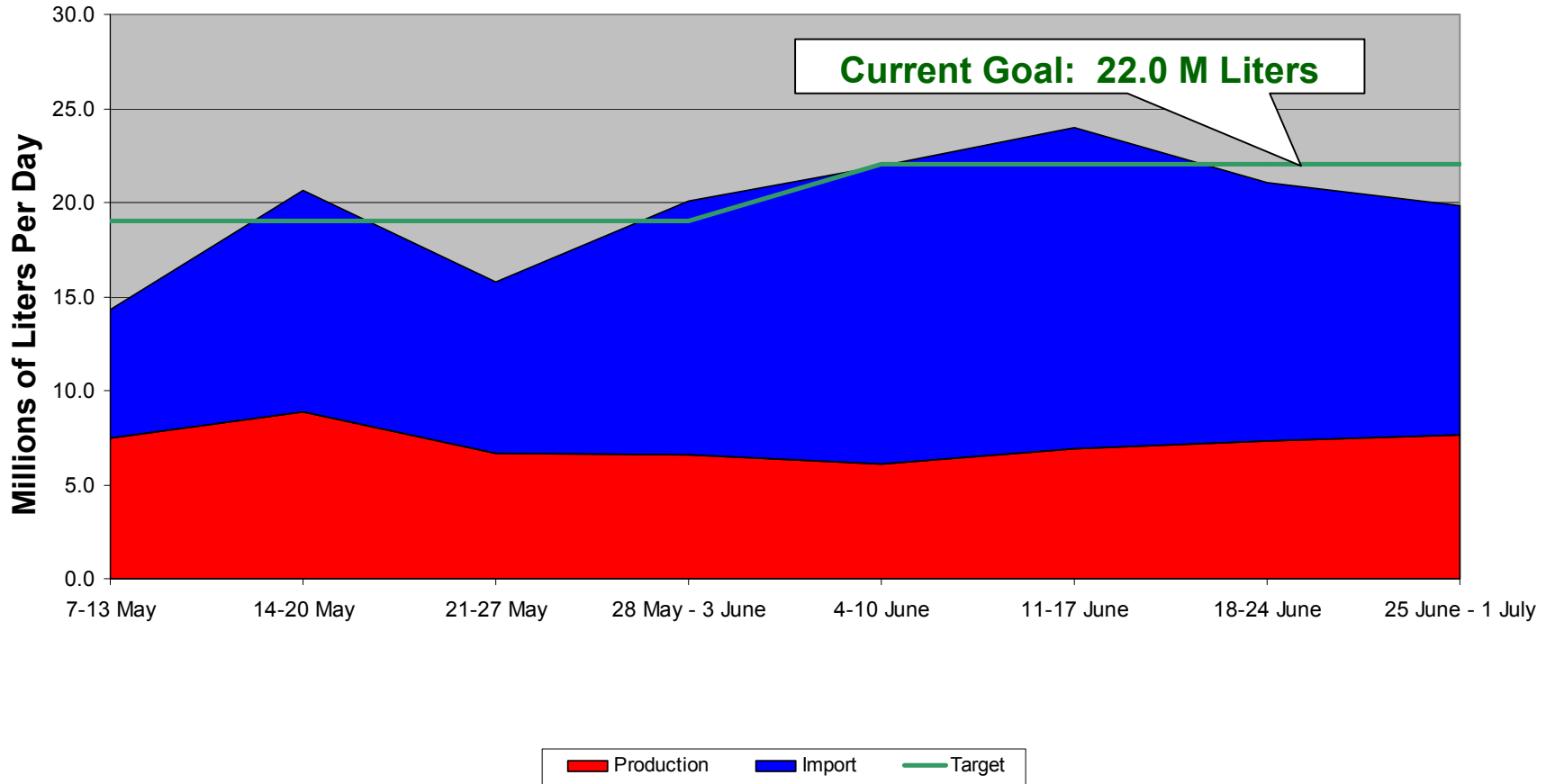
Kerosene Supply



ï This week's average production and imports are 98% of goal



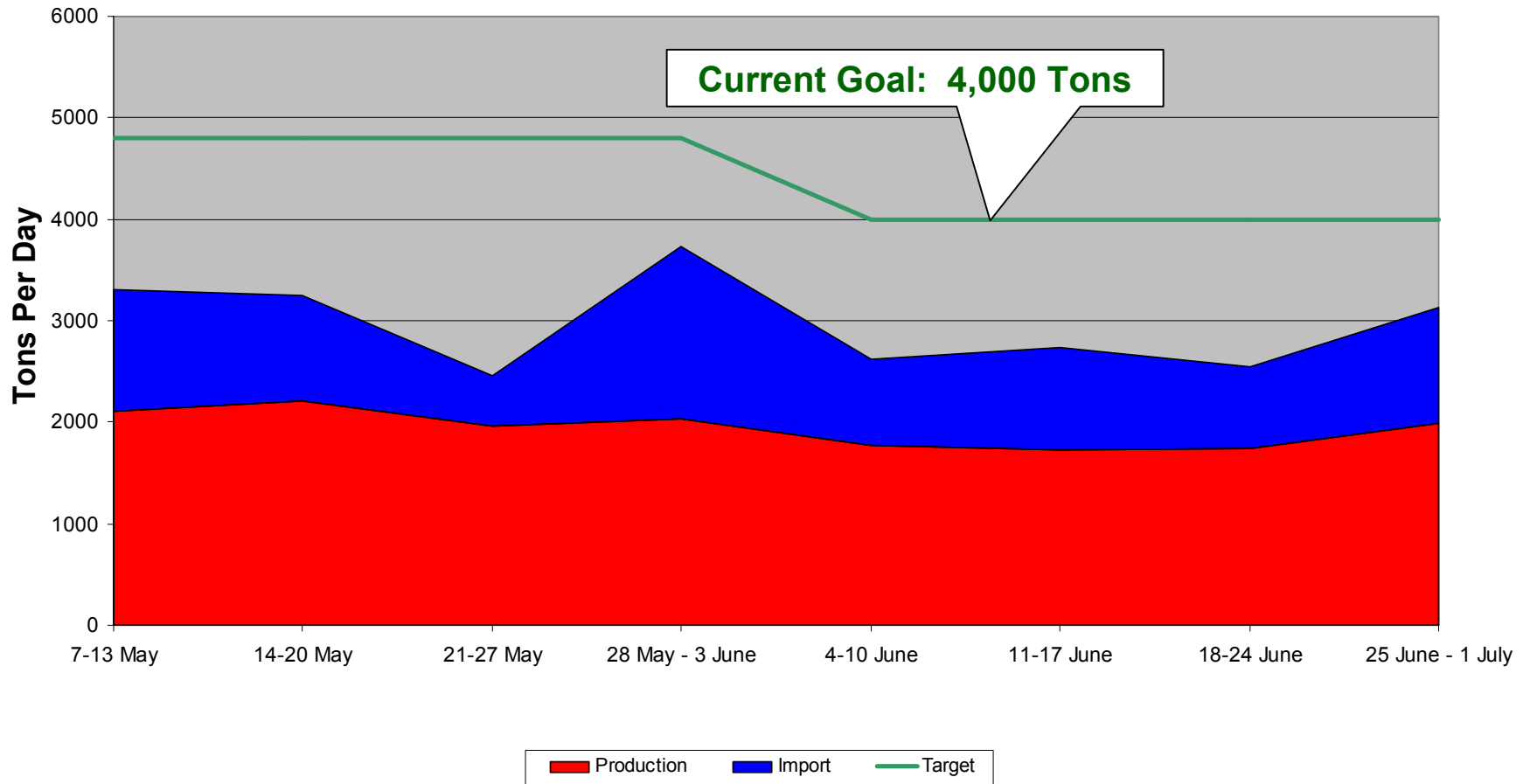
Gasoline / Benzene Supply



ï This week's average production and imports are 90% of goal



Liquefied Petroleum Gas Supply



ï This week's average production and imports are 78% of goal



Security - Build Justice

- ī On 30 Jun, Saddam Hussein was formally transferred from US to Iraqi custody
- ī On 01 Jul, Saddam Hussein was brought before the Investigative Court of the Central Criminal Court of Iraq (CCCI) to hear seven preliminary charges against him for the following crimes:
 - ñ Anfal campaign against Kurds, late 1980s
 - ñ Gassing Kurds in Halabja, 1988
 - ñ Invasion of Kuwait , 1990
 - ñ Brutality against Iraqís Kurdish and Shia communities in the aftermath of the 1991 Gulf War
 - ñ Killing political activists over 30 years
 - ñ Massacring members of Kurdish Barzani tribe in 1980s
 - ñ Killing religious leaders, 1974
- ī Eleven senior members of Saddam Husseinís former regime also heard the charges against them on 01 Jul

Objective: Build Justice

Establish Independent Judiciary; Reform Judicial System; Improve the Penal System; Establish Commission on Public Integrity; Solidify Real Property Rights



Security - Developments

- ï **Coalition advisors are working with Iraqi security forces to increase surveillance and protection of the oil pipelines after recent attacks**
- ï **The initial battalion of the Iraq Intervention Force (IIF), which was formerly known as the Iraq National Task Force, deploy into Baghdad at the end of Jun**
 - ñ **The IIF is being established, trained and equipped for urban counterinsurgency operations**
 - ñ **All three battalions of the first IIF brigade will be ready by end of Jul**
- ï **The Iraqi National Guard (formerly the Iraqi Civil Defense Corp) are conducting joint patrols throughout Iraq with Coalition and Iraqi Police forces**
 - ñ **Focus is on equipping, training, and reconstituting the force**

Objectives: Security

Achieve a Secure and Stable Environment; Develop Institutions that are Effective in Protecting Society and Constitutional Order ; Develop Iraqi Defense Capabilities and Oversight Mechanism



Security - Developments (Cont.)

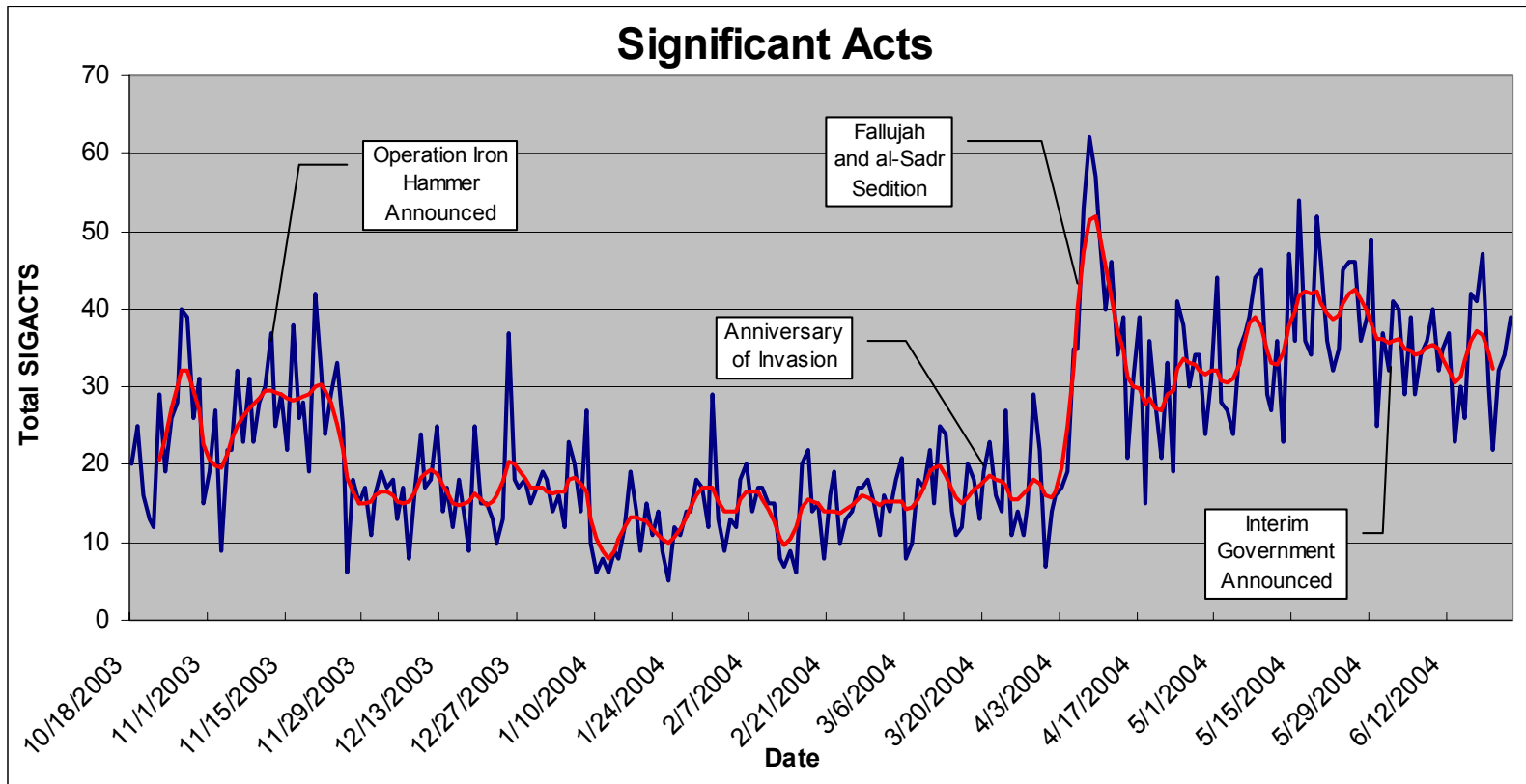
- ï **Efforts are underway to recruit six additional 400-man public order battalions as part of the Iraqi Police Service civil intervention force**
 - ñ **With these additions, the Iraqi Police Service civil intervention force will total nine public order battalions and two counterinsurgency battalions**
- ï **A total of 5,085 new IPS recruits have completed the eight week training course**
 - ñ **Five classes, or over 3,411 students, have graduated from the Jordan Academy**
 - ñ **Four classes, or 1,674 students, have graduated from the Baghdad Public Safety Academy**
- ï **Approximately 25,000 IPS personnel who served as police under the former regime have completed a three-week Transitional and Integration Program taught by Coalition**
- ï **IPS officers are also being taught basic criminal investigation, criminal intelligence, and dignitary protection by Coalition advisors**



Security - Developments (Cont.)

Chart below shows significant insurgent activities in Iraq to 26 Jun, which includes attacks using:

- Improvised explosive devices (IED), vehicle-borne IEDs, mortars, rocket propelled grenades (RPG), and improvised rockets





Stability Contributors - OIF

Countries with forces in Iraq

31

- Albania
- Australia
- Azerbaijan
- Bulgaria
- Czech Rep
- Denmark
- El Salvador
- Estonia
- Georgia
- Hungary
- Italy
- Japan
- Kazakhstan
- Korea
- Latvia

TOTAL ~22K

- Lithuania
- Macedonia
- Moldova
- Mongolia
- Netherlands
- New Zealand
- Norway
- Philippines
- Poland
- Portugal
- Romania
- Singapore
- Slovakia
- Thailand
- Ukraine
- UK

Countries considering decision to provide forces for Iraq

5

TOTAL TBD

36 Countries
 Potentially Supporting
 Iraqi Stability and
 Humanitarian Relief