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DFID Department for
International
Development

1 Palace Street, London SW1E 5HE

From the Secretary of State

Mr James D Wolfensohn
President
The World Bank
Washington, DC 20433
USA

Telephone:
E-mail:

17 February 2005

Dear Mr Wolfensohn,

IRAQ RECONSTRUCTION

I am writing to follow-up the Prime Minister's letter of 15 February about the need to find new ways of moving forward the Bank's work in Iraq. As the Prime Minister said, we are very well aware of the constraints faced by international organisations working for the reconstruction of Iraq. But it is increasingly difficult for us to justify the £40 million we contributed to the World Bank Iraq Trust Fund in March last year while it is not translating into progress on the ground.

We need to seek innovative ways of managing the difficulties and risks associated with working in present-day Iraq. The Bank might need to re-allocate funding to new projects that can be delivered. I am confident that the Iraqi Transitional Government would be open to this. One way to do this might be to channel funding directly through provincial government systems to their priority projects. DFID's presence in a number of Governorates would be available to assist you in monitoring and managing fiduciary risk. We see this as a potentially very effective way of getting development finance working quickly where it is most needed.

In his letter, the Prime Minister also offered to provide World Bank staff – either visiting or posted in Iraq – with accommodation and security in Baghdad and Basra. This would enable the Bank to make progress on your programmes and to engage more closely with Iraqi ministries on sector reform and the management of IDA loans. One area in which we see an immediate need for a strong World Bank input is power sector reform, and we would like to explore with you urgently the possibilities of working together on this.

Martin Dinham, DFID's Director for Europe, the Middle East and the Americas, is visiting Washington next week. I hope that he will be able to discuss these ideas further with Bank staff then.

Best wishes.

HILARY BENN

(Agreed by the Secretary of State and signed in his absence)

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