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MST 4/5/2K

25 February 2005

Dear Hilary

IRAQ: RECONSTRUCTION PRIORITIES IN MND(SE)

During our meeting on Thursday, we again discussed the issue of progress on reconstruction in Iraq. As I mentioned, I was very grateful for your recent letter summarising DfID's work to date in Iraq and priorities for the future.

It seems to me that we are in close agreement on the main reconstruction priorities, in particular the critical importance of power generating capacity. Although your plans will ensure that the situation improves over the next 6 to 12 months, we do need to ensure that we do all we can to alleviate power shortages over the short term this summer. As we discussed, plans for a \$10 million project to provide point power generation throughout MND(SE), funded by the US Commanders' Emergency Response Program (CERP) are well advanced but, in the event that the necessary funding for this work is not released in time, we will need to consider how we might fund it directly. Your offer to examine what DfID

Rt Hon Hilary Benn MP
Secretary of State for International Development

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funds might be made available, should we need to step in, was very welcome.

But while this initiative will have a local effect, it will not necessarily contribute to a sustainable future. The existing electricity infrastructure needs to be repaired and nursed through to the point, in the medium term, where the new builds can take over.

The transition from a situation where reconstruction is supported and coordinated by the military to one where it is handled by civilian agencies led by Iraqis (perhaps assisted by us) is already well underway in MND(SE); the creation of the Southern Iraq Reconstruction Coordination Group is a good step in this direction. But it will be important for DfID to ensure that it has the capacity and capabilities required on the ground in Iraq to assume an overarching planning and coordination role for the South if the reconstruction programme is to be sustained. I suggest that this is an issue that MOD/DfID officials pick up at one of their regular bilateral meetings.

As you observe in your letter, we need to continue our efforts to encourage the US, particularly the Project & Contracts Office (PCO), and the various international organisations involved in Iraq to accelerate reconstruction spending, particularly in the South. We will use our contacts with the DoD to make this point when suitable opportunities arise. For example, there have recently been suggestions that the US is considering how it can reinforce success in stable areas of Iraq like the South so that they act as beacons for investment and development. We are pursuing this with US interlocutors.

I am copying this letter to the Prime Minister and Jack Straw.

Yours sincerely
Geoff

GEOFFREY HOON

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