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- World Bank and Iraq

From: Michael Anderson
To: Scholar, Tom (UKDel); Sergeant, Caroline (UKDEL)
Date: 08/03/05 20:12
Subject: World Bank and Iraq
CC: Dinham, Martin; Shafik, Nemat;

Tom and Caroline,

We had a meeting with the Secretary of State today about Iraq. He has to give evidence before the IDC on Thursday on a range of topics, which may include the disbursements by the Bank under the International Reconstruction Fund Facility for Iraq.

The SoS is very clear in his view that the slow disbursement by the Bank under the IRFFI is unacceptable. He has little patience to wait for the promised acceleration in disbursement.

The outcome of today's discussion is that if the Bank is not able to show a significant increase in its engagement in Iraq by the end of March, we will be writing to the Bank to seek refund of the funds to the UK for disbursement through our bilateral programme. The SoS is aware that the funds have committed, but feels that if the Bank is unable to spend the committed funds, then there is a political argument for passing the money to an entity that can get some rapid impact on the ground (e.g. DFID & MOD).

His commitment to this line is strong, and we will need to find a way to carry forward his views despite the legal and reputational risks that may arise.

The kind of action that the SoS is looking for from the Bank would include: 1) agreement to co-fund the infrastructure services programme that DFID is proposing to take forward, 2) agreement to locate staff in Baghdad, 3) rapid action to re-prioritise the commitments made under the IRFFI to fast-track rapid-deployment activities.

It is not clear that the mere appointment of contractors to monitor expenditure in Iraq would be adequate to satisfy Hilary Benn or other key Cabinet members.

I am raising this for three reasons:

- 1) you should carry this information to the meeting on 22 March to give an indication of views on London of the potential consequences of further delay on the part of the Bank;
- 2) we would welcome your views on the best way to handle these issues with the Bank if the matter escalates;
- 3) we wonder if it would be possible to raise the issue with critical partners before 22 March (for example, Martin Dinham is aiming for a video conference with Chrik Poortman, and would raise the issue there).

Grateful for your views and happy to answer any questions.

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