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PRIME MINISTER

Iraq: Ad Hoc Ministerial Meetings

Summary

1. The shape of an early Iraqi statement on their security strategy is under discussion with the US, with a view to early agreement with the ITG. MOD work to deliver Military Transition Teams in MND(SE), as part of the move towards regional control, is well advanced. The continuing delay in the establishment of the ITG is a serious concern, and we are working closely with the US to push for speedy resolution. Plans for early engagement with the ITG are already in place. The concept of the International Conference is being fleshed out, with a focus on inclusivity and donor co-ordination. We are looking at how we can achieve both short and medium-term improvements in the power situation.

2. Following your request that I chair weekly ministerial meetings on Iraq, Geoff, Hilary, Paul, Anne and I have met on three occasions. I thought you might welcome an up-date on the key issues covered in those discussions.

Building the Capacity of the Iraqi Security Forces

3. We have looked at how to get an early announcement on security strategy from the Iraqi Transitional Government (ITG). The benefits are manifest: a sense of direction for the Iraqi people; and the beginning of a plan for draw-down for Coalition partners. We have drawn up outline ITG oral and written statements (Annex A) on security strategy, which we have shared with the US. Initial feedback suggests that while the President, as he

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told you, sees the advantages, lower down in the Administration there is more caution about laying out a timetable and a slower approach to announcements. However, officials will discuss US concerns and push hard for early progress during a VTC with a US cross- Agency team on 31 March.

4. The MOD continues planning for the implementation of Military Transition Teams in MND(SE). This is designed to provide the bridge towards ultimately Iraqi regional control. It will see a gradual shift from the current position of the Coalition providing the security in MND(SE) to an intermediate stage of the Coalition undertaking both training and operations side-by-side with the Iraqi Security Forces (ISF) to the final goal of the ISF being fully responsible for security, with occasional advice from Coalition partners.

Political Process

5. The Iraqi Transitional Government has been disappointingly slow to form. We have been pushing, through the Embassy in Baghdad and in concert with the US, for decisions to be made as quickly as possible. I will be speaking to Condoleeza Rice again before Easter to consider what further pressure we might bring to bear. In parallel, we have been underlining to the Iraqis the importance of getting good people into the key security related Ministerial positions (Defence and Interior).

6. In order to maximise HMG's influence with the ITG, we have developed early links with the key players (for example, we are already talking to Jaafari about support to his office). We have also prepared a plan for early intensive contacts between UK ministers and their new Iraqi counterparts to emphasise the importance we place on the relationship and

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to transmit some key messages. One of the messages we are already giving the United Iraq Coalition (UIC) is of the enormous damage that could be done to efforts at outreach by a significant renewal of the de-Baathification drive.

Broadening International Engagement

7. Good progress has been made on the concept of an international conference. We have been working closely with the US to define the scope and objectives of the meeting. Key objectives include: ensuring an inclusive approach to build a wide base of support for the Iraqi political process; and a reformed approach to donor co-ordination.

8. We are also looking at the scope to leverage other partners into key areas of activity. For example, we are following up recent indications that the Malaysians might provide a medical or training team and we are pursuing \$15m of World Bank funding for the power sector in MND(SE). This will also be discussed at the VTC.

Reconstruction

... 9. I enclose a note Hilary Benn prepared for our meetings on the broad reconstruction picture (Annex B). In our meetings we have focussed particularly on power, especially electricity. The enclosed FCO/DFID paper (Annex C) provides a broad overview of the situation and the scope for action.

10. The commitment we are making to power is significant; approximately 55% of DFID's 2005/6 budget for Iraq will be spent on this sector. To achieve success in the medium-term, we will need to work

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closely with the Iraqis and other key donors to draw up an energy strategy and ensure it is fully funded. In the short-term, there are real problems on electricity as the scope for remedial action is limited. However, DFID is providing £10m for quick impact power generation in Basra, we are pursuing the scope for further increasing power imports from neighbours, will quickly engage the ITG on the need for a public information strategy, and will press the US to take similar measures. We have asked officials to provide monthly up-dates on power to cover both progress on repairing key infrastructure and the situation on the ground.

11. We plan to meet again on 7 April to review progress. I very much hope by then we will have an Iraqi government with whom to engage, as Iraqi ownership of all the issues we have been discussing will be essential if we are to see real progress.

12. I am copying this letter to Geoff Hoon, Hilary Benn, Paul Boateng, Anne Clwyd, Sir Andrew Turnbull, Sir Michael Walker, Sir Nigel Sheinwald and 'C'.

(JACK STRAW)

Foreign and Commonwealth Office
24 March 2005

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Annex A

FRAMEWORK FOR A PUBLISHED ITG SECURITY STRATEGY

Introduction

1. Following discussions with the MNF and other stakeholders the Iraqi Transitional Government has adopted the following principles to guide the development of Iraqi security forces, which will allow the reconfiguration and departure of international forces from Iraq.
2. Iraqi forces have proved able to play their part in successful counter-terrorist operations. They were able to protect the Iraqi people against terrorist attacks on election day and Ashura. We have asked our allies to continue to work with us to build up our military forces and police service to the point where the ISF will be able to operate without any external involvement. In the meantime, the ISF and the MNF will work together to maintain security and law and order in Iraq.

Objective: The transfer of responsibility from the Multinational Force to Iraqi Security Forces

3. The Government of Iraq will consult with the governments providing the Multinational Forces in order to draw up a detailed plan to transfer responsibility as rapidly as possible from the Multinational Forces to the Iraqi Security Forces. This will allow the gradual departure of our allies' forces from Iraq.
4. The transition to Iraqi control will be depend on creating the conditions where we can ensure our own security:
 - An effective military command and control structure working to an elected government;
 - Local populations working with our security forces;
 - A reduction in the overall level of the insurgency;
 - Security forces able to fight terrorism and protect the local population without outside help;
 - A police force capable of upholding the rule of law.

Developing the Iraqi Security Forces

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5. To ensure the continuing development of effective Iraqi security Forces in preparation for the departure of the MNF we need:

To put in place a co-ordinated command and control structure:

- The Deputy PM will oversee the counter-insurgency effort on behalf of the Iraqi government and ensure co-ordination between our different security forces and government departments, at both national and local level (see below);
- A strategic policing plan will be developed and implemented;
- Military structures will be developed to allow local, regional and national command to be transferred to the Iraqi Security Forces.

To increase numbers of Iraqi forces trained and equipped for their roles:

- Police manpower will increase from 81,000 to 137,000 within the next 18 months: both new recruits and serving officers will be trained in the values of civilian policing.
- The army will grow from 60,000 to 100,000 during the same period;
- The first Iraqi mechanised brigade will be operational by May 2005 (already the Iraqi Army has in operation 35 tanks and 35 armoured personnel carriers).
- **To improve their leadership:**
- Currently 100 cadets are attending year-long officer training at Rustamiyah Military Academy - their number will grow within two years to 810 per year;
- Junior and Senior Staff College Courses, and War College for Senior officers will be established with the assistance of NATO. The first Staff College course will start in Sep 05;
- Iraq Army schools will be established on a regional basis, and to train the specialists of the Iraqi Armed Forces;
- A Police Academy, to train commissioned officers of the Police Service will open later in 2005.
- **Phases of Transition**

6. The MNF has already handed over responsibility for security in certain areas wholly to Iraqi forces, except for the purposes of training and intervention in emergencies. The next step is for this to be extended to entire Governorates. The speed of this process will vary from province to province according to circumstances. We shall start on this process during the lifetime of this Government.

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Iraqi national control

7. When the Iraqi government is satisfied that Iraqi security forces can maintain order in all major areas, MNF forces will reduce their numbers in Iraq. When Iraqi security forces are able to respond to external threats, we will have no need for others to assist directly in our security. Nothing but the capacity of the ISF to meet the challenge stands in the way of drawdown.
8. Until these goals are achieved we urge MNF partners to remain in Iraq. We also need further and broader support from the international community – for example from the United Nations, the World Bank, the European Union, the IMF, NATO, and international NGOs. The more economic and military support, the sooner Iraqi security forces will be able to operate without outside help.
9. The people have the most important role of all. The Government of Iraq will govern by consent in the name and interests of all our people. Its first duty is the defence and security of all irrespective of creed or origin. In return it asks of you that you lend your active support in upholding the unity of the nation and the struggle against terrorism, criminality and corruption.

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DRAFT ELEMENTS OF JA'AFARI PUBLIC STATEMENT ON SECURITY

- Want to clarify for Iraqi people how this Government will work to improve their security.
- The Government's goal is that Iraqis should take complete responsibility for their own security. In the meantime we welcome the presence of the Multi-National Forces who are here in support of the sovereign, elected government of Iraq, under a mandate from the UN Security Council. The Iraqi Government, and no other, is taking the decisions necessary for Iraq's stability and its future.
- Iraq's citizens suffer not from occupation but from terrorism, sabotage and butchery. The international forces are here to help to build up our security forces so that they can fight terrorism and crime without outside help.
- But it is important that as soon as possible we are able to rely on ourselves for our security, allowing the international forces to leave. This is why I want to set out the conditions for the completion of their task.

Building up the ISF

- The first step is to accelerate the capability of the security structures so that we can bring closer the day when Iraqis can take responsibility for their own security. Our security forces have already made good progress: they withstood concerted attempts by the terrorist to prevent the elections taking place, and prevented numerous attacks on the Ashura festival, reducing greatly the numbers of those who were killed. Every day they stand in the front line against terrorism. I salute their courage and determination.
- Those forces that are experienced and professional should be kept, supported and rewarded: they are the foundation of our future security and must be built upon. We will continue to recruit new volunteers to join them, drawn from all parts of Iraq and fully representing the Iraqi people. Iraqi citizens have a responsibility to support our forces, including by making clear the standards of behaviour Iraq expects from them.

The role of the Government

- Effective leadership and coordination from my Ministers will make sure troops and police have the right equipment, training and support. New Transition Teams from the Multi-National Forces will pass on their

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experience to the Iraqi Security Forces by working alongside them in a relationship of partnership (sharaka).

Leadership of the ISF

- Next we must develop the leadership of the armed forces and police so that, under the command of the Ministries of Interior and Defence, they can work independently of the Multi-National Forces in organising security operations and the deployment of forces. Ministries must be in communication with the Iraqi forces throughout the country to ensure coordination and democratic oversight.

Transfer of responsibilities

- Then, in areas where the security situation is stable, the local population stands firm against terrorism, and our own forces develop their capability and prove themselves capable of dealing with the security threat, the Iraqis will take on full security responsibilities. The Multi-National Forces will only provide training, help with reconstruction, intervention in times of emergency, and protection against external threats – at the specific request of the Iraqi Security Forces.
- As Iraqi forces become more capable, and operate on their own in greater and greater areas of Iraq, international troops will begin to withdraw.

Support of the Coalition and neighbours

- We will consider in due course what further support we will want in the future from the international community to safeguard our borders and protect us from external threats, until our internal security situation is fully addressed and we have the capability to resist external threats for ourselves.
- In the meantime we ask the international community to continue its support for stability and security in Iraq, in line with UN Security Council Resolution 1546, and to continue to maintain their military presence here for as long as we require them. We also welcome offers of support and training, especially within Iraq, to help develop our security forces and police.
- To our neighbours we offer peace and friendship; we ask of them in return that they help us in our struggle against the terrorists who are trying to destabilise our country.

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The Future

- Our future is in the hands of God, who will guide us to a successful achievement of these objectives. With His help we will achieve many of them before the next Iraqi elections.

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ANNEX B

IRAQ RECONSTRUCTION

While much progress has been made in since May 2003, significant challenges will continue to face Iraq's reconstruction in the coming months. The difficult security environment, particularly in central Iraq, presents a major obstacle. The capacity of Iraqi government institutions to plan and manage reconstruction is weak. The political process imposes short-term horizons which discourage difficult reform. The engagement on the ground of the UN, International Financial Institutions, donors and international NGOs may increase, but they will not be present to the extent that they are in other post-conflict countries. We can make short-term gains, but sustained improvements required e.g. in fuel and electricity will take longer.

Current situation

Iraq's economic recovery is gathering pace. The IMF forecasts 17% growth in 2005. The staged debt settlement (80% of Paris Club debt) and agreed IMF programme are putting the economy on a sound footing. The WTO agreed in December to open membership talks with Iraq. The new currency has been stable. The main concerns are the new government's ability and commitment to press ahead with essential reforms, and rising inflation partly as a result of security-related costs.

Power generation remains below pre-conflict levels at around 4,000MW (4,400 pre-conflict), with a national average of 9 hours per day. The main problems are inadequate and antiquated infrastructure and sabotage. Rising demand is exacerbating the shortages. DFID, the US and Iraqis are working to bring more power on stream by the summer, but the target of 6000MW will be hard to achieve.

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Oil production is 2-2.3m barrels/day (bpd), below the 2.5m bpd target. Exports rose after the 2003 conflict to peak at 1.8m bpd in March 2004, but now average around 1.5m bpd. The main problem is sabotage to pipelines. The Ministry of Oil is getting better at responding to sabotage and protecting installations. Frequent shortages in domestic fuels continue, caused by sabotage, intimidation of importers, rising demand (petrol and diesel) and very high subsidies which result in massive smuggling and corruption. Under the IMF post-conflict agreement, fuel subsidies are the top priority for economic reform: DFID is advising the Iraqi Government on this.

Water supplies are now better than before the conflict, particularly in the South, which suffered most under Saddam's regime. Before the conflict no sewage treatment plants were operating and raw sewage was discharged into rivers. Subsequent investment has brought pumping stations back into service and repaired broken equipment. But there is still much to do.

The most reliable recent survey reported that the unemployment rate was 10.5%, with a further 12% underemployed. Reconstruction programmes, a stronger economy and recovering agriculture and trade are improving opportunities.

In health, improvements are being made to an outdated system that was biased towards Saddam's elite. 110 primary health facilities have been rehabilitated; 19 hospitals and 93 primary care centres are under rehabilitation. In Education, since May 2003, 70 million modern textbooks have been delivered; 3,000 schools rehabilitated; 20 new schools completed and 444 are under construction. There are problems with school attendance rates in some areas due to security fears.

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Significant improvements have been made in telecommunications. The new mobile phone system has over 1.6 million subscribers. 140,000 internet subscribers compare with under 12,000 before the conflict. In the media, 75 radio and 21 TV stations are broadcasting. About 250 newspapers and magazines were launched after the fall of Saddam. Gains have also been made in transport. There are more than 500 civil aviation flights per week at Baghdad, Basra and Mosul airports. Iraq's main ports are operating but still need major modernisation. Iraqi Railways rehabilitated 22 stations, but lines are susceptible to sabotage.

DFID'S contribution

DFID is helping by supporting reconstruction and rehabilitation of essential infrastructure in the south, building Iraqi administrative capacity in Baghdad and the south, and working internationally to broaden the donor effort and make it more effective. Since March 2003 DFID has committed £380 million to specific projects and disbursed £254 million. Key elements of our assistance are as follows.

Improving infrastructure in the south: £85m. More than £30m has been spent on regenerating essential infrastructure, including 2000km of high voltage lines and 120km of water pipes, employing several thousand Iraqis. An additional £55m has been committed, including £45m agreed by Hilary Benn this week. Of this £40m for emergency repairs to essential services will go primarily to the electricity sector (eg repairing turbines and switchgear at Khor Az Zubayr power station which will bring 110MW onto the grid), as well as support for policy and co-ordination in Baghdad. £5m will go to quick impact power projects to be agreed with MND(SE). DFID also ensured that \$63m worth of CPA projects in the south were completed after the transfer of sovereignty, and are coordinating reconstruction projects in line with Iraqi priorities.

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Employment generation through public works programmes in the south: £6.5m. 1.7m workdays have been agreed so far for local improvement projects, across all four governorates. They include 246,000 person days on refuse removal in Al Amarah, 77,000 on street cleaning in Basra, 20,000 on street reconstruction in Dhi Qar, and over 100,000 on street and park renovation in Al Muthanna.

Building Iraqi capacity, through:

- A £4.2m public administration project, which has helped set up the Prime Minister's Office and the Cabinet and committee system. It is now helping to support handover to the Transitional Government and establish effective public expenditure management. This team was central in helping the Iraqi government co-ordinate its response on Fallujah and minimising the humanitarian impact.
- A £4m economic project aimed at supporting policies for economic recovery. This work helped the Iraqi government draw up the 2005 budget, agree a \$436m post-conflict assistance package with the IMF, negotiate the Paris Club debt reduction deal (worth \$96bn if all creditors follow suit), and draft a National Development Strategy. It is now advising on essential economic reforms such as fuel and food subsidies.
- Building provincial government capacity in the south: £20.5m, including a £14 million development fund. This work will help improve financial management and delivery and help re-establish links with the centre. Part of the funding will support private sector development and civil society. Offices to support the programme have been opened in Basra, Maysan, and Dhi Qar. Al Muthanna will open shortly. Projects include developing enterprise skills for 6,000 people in Maysan and similar training specifically for women in Basra.

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- Justice project has trained 216 Iraqi judges, lawyers and prosecutors in human rights, international humanitarian law, and independence of the judiciary.
- Support for elections and the constitutional process. DFID's £5m Public Participation Fund has so far funded 29 projects, including media elections training, voter education and elections monitoring. DFID provided \$10m and two advisers to support the Electoral Commission with security and its public information campaigns.

Other donors

DFID works closely with other donors to encourage effective and coordinated delivery of reconstruction assistance. We are encouraging the Iraqi government to establish its own means of donor coordination and prioritisation, and to elaborate an action plan for reconstruction, building on the IIG's National Development Strategy.

The USA has allocated \$21bn to its Iraq Relief and Reconstruction Fund (IRRF). Of the £18.4bn Supplemental Appropriation agreed in November 2003, \$5.6bn was allocated to electricity, \$4.3bn to water resources and sanitation, \$3.2bn to security and law enforcement, \$1.7bn to oil infrastructure, \$1.5bn to justice and civil society, and \$1.1bn to health and education. In September 2004, primarily in response to the security situation, about \$3 billion was reallocated from long term investments, mainly in power and water, to oil infrastructure and more immediate impact projects in the security and employment sectors. A further review is taking place which is likely to refocus again from large infrastructure projects to those with a quicker impact on employment and security. The USA has taken the view that long-term development should be funded by Iraq's own resources and loans from donors such as Japan and the World Bank. Total US disbursement from IRRF has now reached \$6.9bn (33%).

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Japan: pledged \$1.5 billion in grants and \$3.5 billion in soft loans. \$800 million of grants has been disbursed, primarily on power, water, health, road repair (almost all in the south) and security and municipal equipment, eg police vehicles. Japan is now allocating loan money: DFID is pressing them to focus on large infrastructure projects, particularly in the power sector.

Multilateral trust funds: (UK contribution £70m out of total of over US\$1bn) crucial to internationalising reconstruction effort as most donors do not have capacity to manage bilateral projects in Iraq. But mixed performance so far:

- o UN agencies now making progress after a slow start: 23% had been disbursed by the end of 2004;
- o The serious UK concern about World Bank, expressed in PM's letter of 16 February to Wolfensohn, is being followed up by DFID senior officials: we are seeking Bank agreement to implement their projects through DFID's presence in southern Iraq; and pressing them to open an office in Baghdad.

European Community: spent €100m on humanitarian aid in 2003, and €200m on reconstruction in 2004, mainly through the multilateral trust funds. €200m has been approved for 2005, most of which is likely to be channelled through the more effective UN agencies. HMG is pressing EC to open an office in Baghdad.

Najaf

- The Iraqi Government committed \$50m to reconstruction in Najaf; 50% half going to health and education. Other priorities are: water and sanitation (estimated 90% destroyed in last year's fighting); telecommunications and help for hotel owners who host the thousands of pilgrims who visit monthly.
- USA has completed short-term employment projects worth US\$5 million, rehabilitating school and health clinics, and is funding

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employment generation activities. Japan is rehabilitating and equipping the Najaf General Hospital.

Fallujah

- Estimated that 60,000+ people are now living permanently in the city (out of a total population of about 250,000). The rest are mostly situated in the surrounding area, monitored and supported as necessary by the Iraqi Government. Normal social and economic activity is returning: shops and market stalls, garages – and queues for petrol, children attending school.
- Fallujah households received welfare payments of \$200 from the US and \$100 from the IIG. Compensation payments by the IIG for damage to homes have started. Infrastructure repairs are being funded with Iraqi and US money.
- Safe drinking water is available to all. Reconstruction of power supplies is underway. Power is being supplied to hospitals from stand-alone generators.

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ANNEX C

IRAQ: ELECTRICITY

SUMMARY

1. Some progress in improving electricity supply will be made over the next few months, but we assess it is unlikely the Iraqis will meet their target of providing 6000 MW by the summer. 6000MW would, in any case, be well below current demand of 8000MW, which is likely to increase significantly over the summer. Power cuts will continue.
2. We need to encourage planning to increase output significantly for 2006 and beyond. Such an 'Energy Strategy' should match plans for increased output with available fuel supplies and the potential for imported power. Further donor assistance and improved Iraqi inter-Ministry and donor co-operation is also necessary.
3. DFID's current and forthcoming infrastructure projects will help, bringing approximately 240MW to the grid by April 2006 and support a more strategic and planned approach.

DETAIL

4. This paper follows up Ministerial and senior official interest in electricity plans and what the UK can do to help.

Background – what has happened?

5. The scale of the task is huge. Iraq's existing power infrastructure was designed in the mid-60s for a population of around 16 million (now 25 million). It consists almost entirely of obsolete generating equipment, which breaks down very easily and often.
6. Demand for electricity has soared as the economy has grown and more consumer goods have entered the country. Demand in December 2004 – 7000 MW to 7300 MW – was 30 percent higher than December 2003. This has put more pressure on the ageing infrastructure. At present Iraq is struggling to sustain production at more than 4000 MW. Failure to increase domestic electricity production above May 2003 levels can be attributed to:
 - Continued sabotage of crude oil and gas pipelines and the electricity transmission network, which has directly hit supply;
 - Unreliability and inefficiency of existing infrastructure leading to regular breakdowns and unplanned outages, many of which are difficult or impossible to repair as a result of the condition of the equipment;

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- Poor management by the Iraqis. There is no clear energy sector strategy. Co-operation between the Iraqi Ministry of Electricity (MoE) and Ministry of Oil (MoO) has been virtually non-existent. Corruption is likely to have affected decision making ;
- Lack of strategic focus by the CPA. Immediately post-conflict there was a massive effort to repair the electricity system, which has had limited impact on overall generating capacity. Project money has been put into rehabilitating rather than replacing old plant and installing inappropriate equipment, producing relatively little return.

What needs to be done?

Current Iraqi plans

7. The MoE have said they are confident of meeting their target of providing 6000MW of power by the summer (the US say more like 5,500-5,700MW). However, given delays to US funded projects (scheduled to bring 900 MW online before the summer), the continuing deterioration of existing generation plants and problems with access to fuel, our assessment is that this is unlikely, although it should be possible to exceed 5000MW.
8. We need to work with and encourage the Iraqis to develop an 'Energy Strategy' to bring together overall plans for increased power output, available fuels and funding and the future plans of both the MoE and MoO. The potential for importing power from neighbouring countries also needs to be taken into account (see below).
9. Such a strategy should address subsidy and charging issues. Of the total fuel subsidy of \$7 billion a large proportion accrues to MoE. At the moment power is free, so there is no constraint on usage and no incentive for efficiency in production or for private investment. There is a need to introduce a proper billing system and start charging at a realistic economic rate. The US has done some work on this but further work is needed.
10. A strategy should also include a plan matching funding to needs. The MoE assess there is an immediate need for at least a further 6000MW of additional generation capacity as a result of increasing demand. The Iraqis report they are looking to secure US\$4 billion from US PCO/Aid, US\$3 billion of Japanese soft loans, and US\$ 6 billion from a mix of Iraqi funds plus various other donor contributions. Realising these funds would make the further 6000MW achievable, but constructing the necessary plant would take some years. The World Bank has agreed to provide assistance with strategy and co-ordination - with DFID facilitating.

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Imported power

11. Neighbours have a key role to play in augmenting Iraqi supply, both in the short and medium term. Iraq is currently importing 150MW from Turkey and around 100MW from Iran. It plans to increase this to 200-300MW and 145 MW respectively in time for the summer peak. The MoE has also signed an MOU to import 150 MW from Kuwait, rising in time to 500 MW. However, since this requires the building of a new transmission line it will not be available until the end of 2005 at the earliest. It is also not clear that Kuwait currently has this much spare power.
12. The Iraqis would also like to renew imports from Syria (of 50-60MW), but not at the exorbitant price quoted by the Syrians. The aim is for total power imports from Kuwait, Turkey, Iran and Syria to reach 1,500MW by summer 2006. In the longer-term there is further scope for imports. Turkey has said it is willing to provide up to 1000MW in the future and BE Iran report the Iranians have told the Iraqi government they would be willing to supply Iraq with up to 60 percent of its electricity needs.

Public information

13. There needs to be a co-ordinated ITG effort to manage Iraqi expectations. For example the Electricity Minister was recently quoted as saying that Iraq was about to have 5000MW and 15 hours of power per day. The ITG also needs to address the issue of energy conservation – linked to energy pricing.

Infrastructure security

14. Improved infrastructure security is essential if improved electricity and fuel product supplies are to be realised. The current approach is piecemeal, with little inter-Ministry co-ordination. The IIG has agreed in principle plans to form a new force of 18 battalions to provide strategic infrastructure security, responsible for guarding oil, electricity and rail linear infrastructure. Although further work is needed on the structure of the force and how it will be funded, the idea makes sense in principle. Plans would be for the ITG to approve and would involve the force starting to become operational from June 2005 (although not fully operational until December 2006).

US plans

15. The US has sent a team to Iraq to review future policy. They are focusing their strategy for summer 2005 on pressing the Iraqis to secure availability of required fuels and reducing the amount of new capacity lost through poor operating and maintenance. They are also tightening up requirements for contractors to train Iraqi staff to maintain new plant once handed over.

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16. The US also plan to urge the Iraqis to develop a coherent Energy Strategy for next year and beyond. They are also likely to press for a senior member of the ITG to lead on energy issues and reconstitute the moribund Supreme Oil and Gas Council as an Energy Council bringing together the key Ministries of Electricity, Oil, Water, and Finance.

How can the UK help?

17. Given limited UK funds, DFID support is being used to address key short term needs, to leverage engagement by others and to provide strategic advice that will allow a plan for progressive improvements in the sector to be put in place. Initial funds were provided through the UN for the purchase of generators and work on the transmission and distribution systems. Efforts then switched to repairing and rehabilitating existing infrastructure, including 2000km of high voltage lines and 125 pylons.
18. In the short-term DFID's current £10 million emergency infrastructure project in the south will bring 50MW to the grid by the summer. DFID has allocated a further \$10 million specifically to improve power availability before peak summer demand at strategic priority locations in the south, which will realise about 25MW.
19. In the longer-term DFID's recently approved £40m infrastructure support programme will bring around 160MW to the grid by April 2006 and will improve distribution and supply in the south. We are talking to the World Bank about their providing a further \$16m to the project and discussing possible contributions with other donors. The programme will also support two high level advisers (working on the World Bank's behalf) within the MoE to support the development of a sector strategy and investment plan and power sector reform. This should help attract and better co-ordinate support from other donors.
20. We also need to continue to monitor progress on power importation, helping to lobby and facilitate agreement with neighbours where necessary. We should also press the ITG to ensure plans for improved infrastructure security are realised, feeding in advice where appropriate.

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CONCLUSIONS

21. Planned work on the power sector is unlikely to solve generation problems in time for the summer. But we need to encourage the Iraqis to plan now, with donors, for summer 2006 and the longer-term. We should push for the adoption of a coherent sector strategy, securing MoE and MoO agreement on priorities for domestic generation, supply from neighbours, and fuel supply. We should focus our efforts/messages in three areas:

- Government co-ordination. We need to encourage the appointment of a senior member of the ITG to lead on energy policy.
- The ITG must to accept the need for, and start work on an Energy Strategy. We should ensure we deliver a co-ordinated message with the US.
- We should continue to push for a more direct role for the World Bank to help with this and improved donor co-ordination.

FCO/DFID

22 March 2005

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