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AD HOC MINISTERIAL GROUP ON IRAQ REHABILITATION

MEETING to be held in Conference Room A

on Thursday 17 June 2004 at 11:00

ANNOTATED AGENDA

THIS DOCUMENT
HAS BEEN
SCANNED

Item 1 - Security

The **downward trend in the number of security incidents** continues, albeit the overall level remains high. The focus for anti-Coalition activity remains Baghdad, with expatriates and Iraqis officials being targeted. Five contractors (including two Britons), an Iraqi Deputy Foreign Minister, and one senior adviser at each of the Oil and Education Ministries have been killed in the last week. Sadly, this is an unsurprising given long-standing assessments that the terrorists would seek to disrupt transition. The IIG is holding its nerve and work is in hand to provide protection for IIG Members and other senior Iraqis.

In **MND(SE)**, the overall situation is calm and the level of attacks is returning to that seen before the Sadr uprising. However, there are hotspots and Al Amarah in particular remains difficult. A co-ordinated attack on 11 Jun resulted in injuries to two UK personnel. Set against this picture, the sophistication of attacks is increasing, for example, a remote-control IED attack in Basrah, with a secondary device as a follow-up, demonstrated an increasing awareness of UK tactics and procedures as well as better planning and co-ordination.

In **Najaf and Kufa**, fewer militia are on the streets, and police primacy has been restored under the direction of the Governor. There were clashes between the Iraqi Police and the Mahdi Army on 9/10 June as Iraqi security forces begin to assert control, but successful patrolling up to the holy shrines has now been possible. Consideration is now being given to how to deal with Sadr.

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The IIG will need to balance any moves towards reconciliation with assurances that he has disbanded his militia and renounced violence.

Fallujah continues to be broadly stable, and a successful meeting between the Fallujah Brigade (FB), local sheikhs and the MNF took place this week. But the Brigade has not succeeded in imposing order in the town (no-go areas remain) and therefore no long-term solution is yet in place.

Infrastructure security has been improving and the measures taken over the past three weeks appear to have started to turned the tide against the saboteurs. The resilience of the system is also improving: all five of Baghdad's power plants are operational and output is increasing; fuel stocks are also increasing. Baghdad was supplied with nearly 12 hours of electricity per day over the last week. This said, earlier this week two well-targeted attacks on infrastructure on the Al Faw peninsular have resulted in oil exports being suspended for a week while repairs are carried out. This reflects the continuing vulnerability of the system, and the difficulty of protecting it against determined attacks.

Following the attack that killed two British civilians on 24 May, **staff security** has been reviewed:

- departments have checked that only staff making an essential contribution are at post;
- where possible departures have been accelerated and arrivals postponed.
- trips outside the Green Zone in Baghdad have been scaled back to a maximum of three trips per week for each secondee, with the total number of trips being made each day down from 25 to 14.

The Baghdad airport road was closed for four days in w/c 7 June following two serious incidents, but is now open again following military reinforcement. Movements on the road are limited to one in and one out per day, in convoy.

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Work to improve hardcover staff accommodation in both Baghdad and Basra is progressing well.

Item 2 - Political Process

Thirteen days remain until the Coalition Provisional Authority dissolves and hands over full executive and legislative authority to the Interim Government. The **CPA is winding down** as its remaining responsibilities are progressively transferred to Iraqi Ministries. We are discussing with the US and with Allawi's office how to mark publicly the transition on 30 June. Our preference is to keep the coalition profile low and Allawi's profile high, but to ensure that Iraqis see some sort of closure, e.g. through a departure ceremony for Bremer and Richmond at the airport. To reinforce messages on Iraqiisation of security, we are also looking at: a possible Allawi/MNF commanders conferences in Baghdad in w/c 28 June (at which Allawi would announce an IIG plan for the Iraqiisation of security); a meeting in the margins of the NATO Istanbul Summit with MNF-contributor defence ministers and the Iraqi defence minister; and support to Iraqi/IIG events at transition.

On 30 June, **UK representation in Iraq** will change. Our current representative, David Richmond, will depart and he will be replaced by a new Ambassador, Edward Chaplin.

In the two weeks since the formation of the **Iraq Interim Government** (IIG), almost all countries in the region and the broader international community have publicly welcomed the Interim Government, helped by the unanimous adoption of UNSCR 1546 on 8 June. Reactions in the pan-Arabic media seem more balanced than previous coverage of developments in Iraq. Domestic reaction is difficult to judge, but has thus far been, at worst, quiescent. However, domestic support will be hardest to maintain as Iraqis are likely to judge the new Ministers on their ability to deliver services post-transition.

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Delivering against, often unrealistically, high expectations will be particularly problematic over the hot summer months. It is also difficult to predict how seriously the terrorists campaign of assassinations will affect the ability of Iraqis to continue to do key jobs.

On 4 June, Carina Perelli, Head of the UN's Electoral Assistance Division, announced the formation and composition of the **Independent Electoral Commission for Iraq** (IECI), which will prepare for the local, regional and national elections planned to take place by the end of January 2005. The IECI's key tasks will include drafting of political parties and elections laws and voter registration. Perelli also announced that the system for this first set of elections would be Single National District Proportional Representation (SNDPR) with closed lists. The electoral threshold to win a seat would be approximately 26,000 votes. Perelli said SNDPR was chosen because: it was simple; it was inclusive, allowing dispersed communities including IDPs and ethnic minorities to accumulate votes across the country; it lessened the potential for intimidation; it favoured small parties; and it would create the need for compromise at a national level. Perelli said that agreement on the IECI and the electoral system meant there was enough time to hold credible general elections by January 2005. The two big challenges were security and whether the Iraqi people would see elections as credible. All this is good news. The electoral process is underway and on schedule.

Real progress is being made by the Chair of the Preparatory Commission, Dr Fouad Massoum, in organising the **National Conference**. The National Conference is expected to elect an Interim National Council of 100 members whose role will be to: promote constructive dialogue and national consensus; advise the Presidency and Council of Ministers; monitor the work of the executive including implementation of laws; have the power of veto over executive orders; and approve the national budget. We expect Dr Massoum to announce imminently the PrepComm membership following extensive

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consultations including visits to Kirkuk, Basra and Hilla. We expect there to be 60-80 PrepComm members who will include representatives from the regions, former members of Governing Council and other distinguished Iraqis. Encouragingly Massoum has resisted pressure from ex-Governing Council members to skew the membership with party representatives arguing that this is a technical body. The National Conference offers a way of bringing in individuals and groups currently outside the political process, thus giving greater inclusiveness and representativeness and acting as a much needed forum to develop a national political discourse.

There have been some notable, and important successes recently with regard to the **representation of women** in Iraq:

- UNSCR 1546 notes the importance of “respect for human rights including the rights of women” in Iraq. It also emphasises the importance of the national conference “reflecting the diversity of Iraqi society”;
- Six female ministers were appointed, from a total of 31 members of the Iraqi Interim Government;
- The creation of the post of Minister of State for Women, and her location in the Prime Minister’s office, should help ensure the involvement of women in the evolving political process;
- Women will be represented on the Supreme Commission preparing the National Conference. This should ensure that the National Conference and the elected Interim National Council, that will follow, will include sufficient women to be reflective of the diversity of Iraqi society;
- Two out of the total seven Commissioners on the IECI are women;
- One out of every four successful candidates in the elections to the Transitional Assembly should be a woman, in line with the goal stated in the Transitional Administrative Law.

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UK lobbying has been instrumental in achieving all these outcomes. There remains much to be achieved in the election process and the drafting of the new Constitution. DFID's £5 million Political Participation Fund is available to support initiatives for ensuring that women and others participate fully. The first planned activity is training and support to Iraqi women's organisations to help them prepare for the elections

There remain a number of **issues to be resolved pre-transition**, notably CPA Order 17 and aspects of Coalition policy on detainees.

Although UNSCR 1546 and its annexes set out the legal basis for the MNF and future operations, they do not cover status of forces (jurisdiction, immunities, freedom of movement etc). These arrangements are to be addressed by a revised version of **CPA Order 17**. This is an issue that is of particular concern to our MNF partners (as well as the UK) in gaining parliamentary approval for deployments post-transition. Yet its importance continues to be underestimated by the US. Some in the US system believe that UNSCR 1546 negates the requirement for CPA Order 17. We have instructed Washington to push the US to recognise Partners' concerns. Kevin Tebbit, PUS MOD, who is accompanying Paul Wolfowitz on a visit to Iraq this week will also take supporting action. Helpfully, we understand that Allawi is broadly content with draft texts of the order that Bremer has shown him

It is now clear that UK forces in the **MNF will continue to have the power to detain individuals** after 30 June where necessary. The Attorney General is satisfied that the terms of UN Security Council resolution 1546, together with the annexed letters from the Iraqi Prime Minister and the US Secretary of State to the President of the Security Council, are sufficiently clear to amount to an authorisation by the Security Council for internment "where this is necessary for imperative reasons of security".

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The FCO is in the final stages of agreeing advice for Ministers on the mechanics for the **hand-over of the two UK high value detainees**, to Iraqi control at transition. The Foreign Secretary will write to colleagues with advice later this week.

We continue to push the US in Washington and Baghdad for full access to **US thinking on detainees**, including on developments in the work of the US Special Commission and other US investigations that have significant developments or policy implications. We also press the US to a) provide us with regular information on US policy and practice and ask for sight of all ICRC reports and correspondence since May 2003 relating to facilities where UK detainees are in custody and b) ensure US-managed detention facilities are fully in line with international standards (checklist on good practice at Annex A).

Ministers are invited to:

- **Note that transition is progressing to plan, with the UNSCR and appointment of the IIG having broadly welcomed.**
- **Note the departure of David Richmond at Transition and to request the FCO pass their thanks to him and the entire HMG team in Iraq, past and present, for their hard work.**
- **Note the significant progress that has been achieved in the representation of women, and the very important role UK lobbying played in securing that progress.**
- **Agree that the Foreign Secretary should write with detailed proposals on handling the transfer of detainees, including the two high value detainees, to Iraqi custody at transition**
- **Agree that the UK should continue to work closely with the US to establish Coalition policy on detention based on full respect for the international rule of law**

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Item 3 - Reconstruction and Development

Delays to PMO mobilisation raise the risk of a shortfall in reconstruction funding, and associated employment generation, over the summer. Although the US remains confident that PMO contractors will deploy to Basra shortly, we judge they are over-optimistic about how quickly they will be able to do so, and how quickly projects will move from design to implementation. CPA projects will continue through July and August, but PMO projects are unlikely to create a similar level of reconstruction activity before October.

A number of measures are already in place to mitigate this risk. A paper setting out the background and recommendations is at **Annex B** (colour version available at the meeting). DFID will provide a Programme Continuity Team to help manage residual CPA projects until 30 September, a Transitional Advisory Team to help the PMO to meet Iraq's infrastructure needs in the south, and a team to build capacity in the four southern Governorates. But some additional measures should be considered in the short-term, particularly between August and October. These include additional QIPs to be implemented by UK forces, and possible further DFID help through the municipalities for job creation programmes.

DFID and Treasury officials have confirmed that sufficient funds are available in the Iraqi budget, and disbursement systems are in place, to ensure that public sector **salary and other key payments will continue at transition**. However, in the longer-term, the Iraqis will need to make difficult decisions on priorities for the 2005 budget.

UK officials in the CPA and DFID have been **working closely with Prime Minister Allawi on setting up his office**. DFID are providing support and guidance on structuring and staffing the Prime Minister's office, the Presidency and a Cabinet Secretariat to support the Council of Ministers and

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Cabinet Committees. This support is being expanded to meet demand including, in response to a specific response from Allawi, support for media and communications. The current key constraint on offering further support is Allawi's reluctance to cede control beyond his immediate circle of trusted officials.

The IMF's **Debt** Sustainability Analysis (DSA) was released to Paris Club creditors shortly before the G8 Sea Island Summit. The DSA suggests that at least 80%, and preferably 90% debt reduction will be required to restore Iraq's debt sustainability. US, UK, and Canada all support 90% reduction. Italy and Japan support 80%. Thus far Germany has indicated willingness to forgive 67% of Iraq's debt, but that they may be flexible upwards. The French are holding out against any reduction greater than 50%. Several G8 members, particularly Japan, Germany and France, still have queries about the economic assumptions underpinning the IMF's analysis; the UK view is that the economic assumptions are credible overall. Further discussion will happen in the usual channels amongst G7 Finance Ministries and in the Paris Club of official creditors. In the meantime, the Paris Club's moratorium on debt payments remains in place and the G7 maintain their agreed line on the need for a substantial reduction of Iraq's debt in 2004

On June 5, Bremer passed the **Financial Management Law** - the set of rules for the preparation and execution of future budgets. This law represents a significant step towards establishing a robust and transparent fiscal framework for Iraq. Bremer has now also passed the Public Debt Law, and the Public Contracts Order, which sets out rules for government procurement in line with international standards of transparency and fairness of treatment. UK officials ensured the IMF and World Bank were fully consulted in each case, and were central to the delivery of the Financial Management Law. Together with the Central Bank Law that was passed in March, these key pieces of economic legislation provide a good context for macro-economic policy in Iraq, which will

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be important for swiftly delivering an IMF programme and therefore also debt reduction. UK secondees continue to work with colleagues in the Ministry of Finance on the detail of the policy framework.

Ministers are invited to:

- **Note the delay in PMO mobilisation and the advice in the DFID paper to mitigate its effects, and that further work will be done on the proposals in the next week, and agree that HMG should lobby the US to ensure that supplemental resources flow to the South and agree additional funding for QIPs;**
- **Welcome current support to Allawi's office, and task officials to monitor closely the requirement for further support;**
- **Note the current negotiating positions in the G8 on Iraqi debt, and agree to keep developments in the G7 under review;**
- **Note progress on economic legislation including the Financial Management Law, and agree to continued UK support to the Iraqi Interim Government post-transition on macroeconomic and fiscal issues.**

Item 4 - Next meeting

We propose that the Group should next meet on 1 July. Ministers should receive up-dates on security, the political process, reconstruction and other issues as appropriate. They will also receive an overview on planned activities/priorities in each area in the period leading up to elections in January 2005.

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**activities/priorities in each area in the period leading up to elections
in January 2005**

Cabinet Office

16 June 2004

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ANNEX A – Checklist to ensure good practice in detention in Iraq.

- (a) Ensure no use of excessive and disproportionate force and physical or psychological coercion during interrogation for all prisoners.
- (b) Ensure that all prisoners are treated in a humane manner during arrest and transfer. Not detain family members or associates not thought to be involved in criminal or anti-coalition activity.
- (c) Ensure to practice of prolonged solitary confinement for all those prisoners who do not pose a security threat to facility personnel.
- (d) Put in place an effective system that ensures that all families are informed of arrests within 24 hours regardless of where they were arrested.
- (e) Put in place an effective system for family visits for all prisoners which does not require family members to travel to the facility to make an appointment.
- (f) Ensure that Ministry of Human Rights staff are given regular and unhindered access to security and criminal detainees.
- (g) Ensure all prisoners are informed of their rights and status upon arrest, or any change in their status following arrest.
- (h) Ensure all appeals are dealt with in a timely manner with prisoners informed of their outcome.
- (i) Ensure all property seized or confiscated from prisoners at the time of arrest is documented and returned to the family or upon release.

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SOUTHERN IRAQ: RECONSTRUCTION AND EMPLOYMENT AFTER 30 JUNE

1. The first few months following 30 June will be a critical period in southern Iraq to establish stability under new Iraqi-governed structures and credibility for the political process. It will also be a defining period for consent for the continuing presence of multinational forces, led by the UK, following the end of occupation. The quality of provision of basic services – particularly water, power and fuel – is likely to have a significant impact on these issues, particularly over the hot summer months. The level of employment opportunities will also be important, particularly as temperatures begin to drop.
2. This paper assesses the potential for gaps in reconstruction funding and associated employment opportunities for the next 5 months and recommends some responses.

Sources of reconstruction funding

3. The main source of reconstruction funding for basic services and accompanying employment-generation to date in southern Iraq has been DFI resources, spent through CPA-South. CPA-South will commit its last resources by 30 June and its last projects will be complete by 30 September. In the medium-term, the PMO will become by far the largest funding source, spending the \$18.4bn US supplemental. But it remains unclear how quickly PMO contractors will deploy to the south and they are unlikely to have substantial activity underway before autumn.
4. There are a number of other, smaller sources of reconstruction funding which will be active across the country over the summer. These comprise Iraqi Government activity, CERPS (Commanders' Emergency Response Programme, funded from DFI); and the UN and World Bank – managed Trust Funds. And MOD are preparing a bid on HMT for further QIPs funding.
5. Brief details of all these main sources of reconstruction funding, including size, sectors and timescales are set out below.

DFI / CPA

- Size / Scale:* \$40m on around 200 projects, subject to funds being unblocked in Baghdad (Nixon is pursuing with Bremer).
- Type of Activity:* Mainly physical, visible projects, particularly in the water and sanitation sector. Typical activities including laying pipes, providing potable water sources, schools refurbishment, new municipal buildings. Some of the funding will also be used to procure large capital items, such as for water treatment plants. To be implemented by CPA-S Programme Continuity team, funded by DFID.
- Timing:* These projects are expected to come to completion fairly evenly over July, August and September. In other words, by September there may only be around a third of CPA-

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administered projects as are currently in place. All projects should be complete by 30 September. Remaining activity under DFID's Emergency Infrastructure Programme will complete over a similar period.

PMO

Size / Scale: \$18.4bn nationally, including \$1.78bn for Basra, \$797m for Dhi Qar, \$267m for Al-Muthanna, \$194m for Maysan.

Type of Activity: Mainly construction – especially large water and power projects. But also smaller projects including schools, health clinics and transport infrastructure. PMO estimates that the \$18.4bn Supplemental will directly create 200,000 jobs nationally, plus 600,000 to 1m indirectly. But these figures are highly speculative, will emerge over 2-3 years, and it is not clear how many will be permanent jobs.

Timing: PMO have still not been able to provide firm dates for deployment to their southern base in Basra. And they underestimate the time it will take for PMO contractors to establish themselves and move through design stages to operational capacity. We should not expect significant employment generation and improvement to basic services before October or November, though this is speculative. But we should push for smaller projects in the south to be taken forward as a priority (see Responses, below).

Iraqi Government

Size / Scale: Iraqi Government structures will assume responsibility for programming and implementing all DFI and other Iraqi revenues after 30 June.

Type of Activity: All sectors. Includes a \$125m job creation programme (mainly municipal clearing and cleaning) which intends to create 18,000 short-term jobs in southern Iraq (Maysan: 3000, Dhi Qar: 5300, Al-Muthanna 1400, Basra 7800), to be complete by December 2004.

Timing: Difficult to predict how quickly Iraqi directorates in the south will start programming and implementing DFI resources. But, aside from the job creation programme, we should not expect IIG to provide substantial reconstruction funding in the short-term. Many of the Director-Generals for key basic services in the south are technically very capable. But there will inevitably be a period of adjustment, Iraqi officials will need to lose fear of showing initiative, and Baghdad central Ministries will need to adjust to allowing the provinces more autonomy – and ensure they receive funding. DFID capacity-building support will help address some of these issues for the medium-term.

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IRFFI (UN and World Bank – managed Trust Funds)

Size / Scale: \$1-2bn nationally so far.

Type of Activity: All sectors.

Timing: The first World Bank project (textbook provision) has already been tendered. But at current rates of mobilisation for the UN and WB, these Trust Funds are not expected to become major players in reconstruction funding until 2005.

Other donors

Size / Scale: Japan: \$500m in grants, mainly in Al-Muthanna. USAID: scale not yet known, mainly Basra at present. Danes and Italians: small-scale, not more than \$10m each per annum.

Type of Activity: Japan: mainly cars and trucks, limited health clinic rehabilitation. USAID: includes ongoing Bechtel large water rehabilitation in Basra, providing c200 jobs. Danes and Italians: non-construction, Italians may focus on SME support.

Timing: USAID / Bechtel project valuable to improve Basra water. But little employment impact of any other activity over next few months.

CERPS (Commanders' Emergency Response Programme, DFI-funded)

Size / Scale: \$13m in CERPS money is available in the south.

Type of Activity: Quick impact projects.

Timing: This needs to be committed to projects by the end of July and completed by 30 September.

QIPs (MOD – subject to new funding)

Size / Scale: £?.

Type of Activity: Quick impact projects. (See Response section).

Timing: Would run from July through to September / October.

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Summary

6. Summarised somewhat crudely, the projected impact of reconstruction funding on services and jobs is shown below. The timings shown are speculative, particularly concerning PMO and IRFFI funding. By November 2004 it is reasonable to hope that both PMO funding and Iraqi Government activity should be providing a fairly solid base of service maintenance and improvement, with associated employment opportunities. But as CPA activity begins to wind up from August onwards, there is a risk of a lull in funding until that month.

	June	July	August	Sept	October	Nov
CPA / DFI (& EIP)	—————			■ ■ ■ ■ ■ ■ ■ ■		
CERPS (military)	—————					
PMO*			■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	—————
IIG	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	—————	—————
Other donors	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■
IRFFI* (UN/WB)				■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■
QIPs? (MOD)		—————				

* These dates are speculative

Impact on stability and consent

7. CPA's limited data show no direct relationship between reported levels of unemployment and violence¹. Likewise, there is no apparent correlation between lack of basic services (e.g. water) and violence. But it is a widely accepted assumption that employment and economic well-being will increase support for the government and a pool of un- and underemployed men will pose a security risk. So while reasonable continuity in employment opportunity and basic services may not result in major reductions in significant acts of violence, it should have a positive impact on the stability of the newly formed IIG.

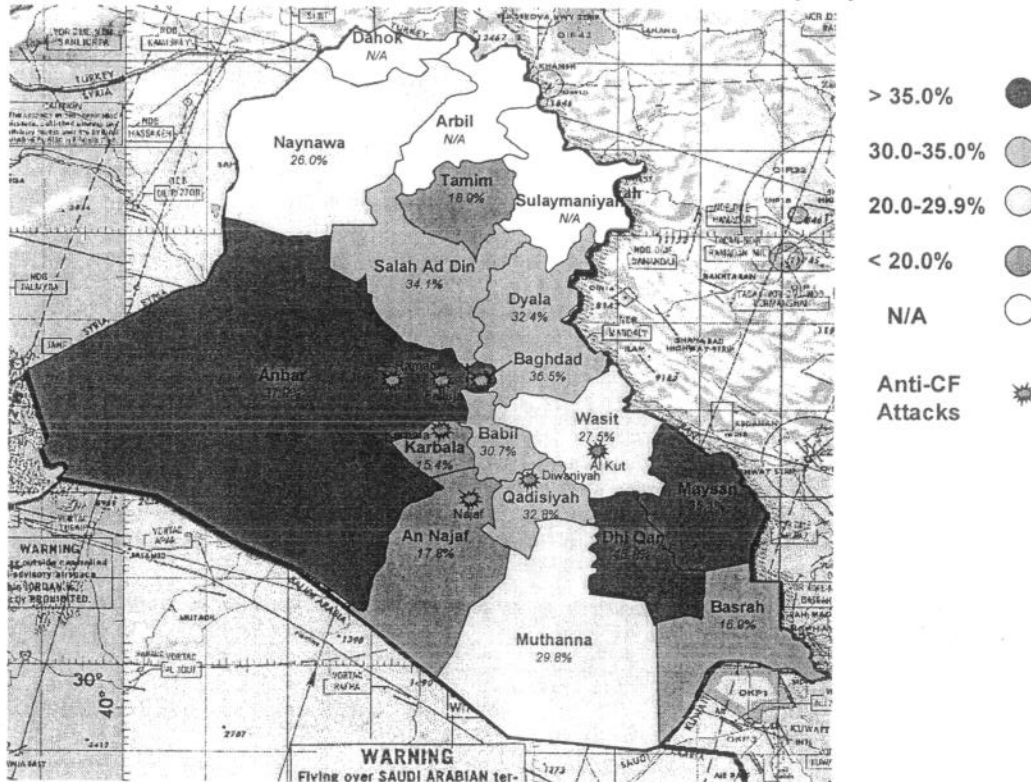
¹ CPA Memo from Kevin Kuklok to Andrew Rathmell, 20/04/04

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8. It is difficult to obtain reliable data on unemployment levels across Iraq. While some commentators such as ILO have speculated on a rate of up to 60% unemployed nationally, a more realistic guess is probably around 20-25% unemployed and 25-30% underemployed. The following CPA table from November 2003 shows the rough trend of unemployment of adult males across the country (accuracy unknown), showing a particular employment problem in Maysan and Dhi Qar:

Unemployment Rate, Urban Males, Age 15+ (not seasonally adjusted, Nov 2003)



9. As well as differentiating between different governorates, it is important to distinguish which issues are likely to have greatest impact on stability and consent at which point in the year. During the hottest summer months of July and August there may not be such a high premium on employment as a key issue, primarily because the heat makes labour-intensive work such as trench-digging difficult. During this period, basic confidence in Iraqi government institutions is more likely to be defined by the availability of basic services, probably in a rough order of importance of water, power and fuel.

10. From September onwards, however, the importance of water and electricity is likely to fade slightly and employment and employment prospects will come more firmly into focus. The medium to long-term solution for employment will involve the creation of new permanent, sustainable jobs; helping factories get back to profitable business; and getting people actually back to work in jobs they have continued to be paid for (freeing up work from the 'second jobs' they are doing in the meantime). But in the short-term it will be important that southern Iraqis do not feel that there is a reduction in employment opportunities since the end of the CPA.

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Existing responses

11. With the potential gap in reconstruction funding following the end of CPA on 30 June and the PMO becoming fully operational, possibly not until October, there are a range of responses where action is required. Some of these are already in hand.

A. Ensure continuing CPA projects can be managed through

It will be essential that there remains in Basra sufficient financial and project management expertise to administer those CPA-managed projects that will run beyond 30 June. Action is in hand but arrangements are not yet finalised. DFID is funding a 7-strong continuity team and has filled most positions. Patrick Nixon is pursuing legal authority for the team to administer the projects after 30 June with Bremer. It is vital we get this and ensure a continuing flow of money for the projects.

B. UK Commanders to take full share of available CERPs funding

\$13m has been obtained from Baghdad. UK military already have capacity to administer these funds.

C. Help PMO become operational in the south as quickly as possible.

Action is in hand. DFID is providing a Transition Advisory Team which will help PMO contractors to adjust to local sectoral conditions quickly and begin implementing projects in close coordination with Iraqis. They will also encourage an emphasis on working through Iraqi sub-contractors and labour. This team should be in place in late July, before most PMO contractors have arrived. But further action could be considered (see H).

D. Support local Iraqi institutions to become operational quickly

Action is in hand. DFID's £20m Governorate Capacity-Building Programme will provide a 9-strong team working directly with key directorates in the four southern governorates, plus additional short-term consultants and small-scale funding. An early emphasis for this team should be to assist those directorates involved in basic service provision and employment-generating activities, particularly the Ministry of Municipalities and Public Works (responsible for job creation programmes and water and sanitation).

E. Press the UN & World-Bank Trust Funds to become operational quickly

Action is in hand. DFID is continuing a concerted lobbying and support effort to the UN and WB. But the Trust Funds are unlikely to begin delivering significant results on the ground until 2005.

Additional responses

12. The measures above go some way to managing the risks of a shortfall in reconstruction funding over the summer. But the following further measures should also be considered.

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F. Additional UK funding for Quick Impact Projects (QIPs) in the south

All the above measures focus on improving the speed and performance of Iraqi, US and international funding sources, which outweigh those HMG is able to make available bilaterally. But the UK should retain some direct capacity for quick impact projects between August and October, using the operational expertise of MOD.

The emphasis of these QIPs should not be the same as in an immediate post-conflict situation, when the focus is on humanitarian response and basic rehabilitation. New QIPs should seek to fund activities similar to some of the local-level projects currently managed through CPA-South. These would be mainly physical, visible projects, particularly in the water and sanitation sector. DFID should consider retaining Mott MacDonald to advise UK forces on this work, and possibly assist with implementation.

G. Small-scale funding for municipal Iraqi authorities

The ability of Iraqi institutions quickly to become visible funders of reconstruction activity will be central to their credibility. It may be some time before Iraqi funding streams start to work smoothly and do not become held up in local politics.

HMG should consider providing some small-scale funding direct to municipal councils (i.e. bypassing Provincial Council politics, though needing their overall consent). Under this model, municipal councils would be asked what key programmes they could undertake if they had funding immediately available, which HMG could then provide. Typical projects would be slightly larger and longer-term than those under QIPs. Examples would include programmes for clearing and cleaning of streets and municipal land, laying water pipes, basic rehabilitation of municipal buildings. Further work is required to refine this proposal, which would need to be closely coordinated with QIPs.

H. Influencing US prioritisation of resources towards the south

As well as large capital projects, such as construction of power stations and water treatment plants, PMO plans include a number of smaller scale projects such as school construction and rehabilitation. Many of the contractors carrying out these kinds of projects have nationwide contracts and they will need to prioritise which regions of the country to target first. This prioritisation is expected to take place through PMO management in Baghdad (dominated by US military personnel) and through the board of the US Iraq Relief and Reconstruction Fund at the US Embassy in Baghdad, creating natural institutional pressures to favour regions of Iraq where US military and civilians are more heavily present.

HMG should negotiate for the Head of DFID Baghdad to sit on the board of the US Iraq Relief and Reconstruction Fund, using our support for PMO in the south and other assistance as leverage. DFID should also consider offering a Deputy Director post to the PMO. This person would bring much needed development and reconstruction experience to the PMO and give the UK an internal influence on prioritisation of resources.