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From: Jim Drummond and
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IRAQ VISIT REPORT

1. We visited Iraq from 27-30 April, including a day in Basra and two in Baghdad. This records our conclusions.

Context

2. The CPA will end on 30 June. Brahimi will return to Iraq next week to finalise arrangements for the Interim Government, which will govern Iraq for the following 7 months. His main tasks are to identify a 3 person Presidency, a Prime Minister and new ministers. The expectation is that they will be technocrats, though some in the US system prefer a political cabinet strong enough to take unpopular decisions. Brahimi will have little time to establish a consensus around the new appointments, which may weaken popular trust in the Interim Government. A UN team will also return next week to begin preparations for the elections.

3. The security situation has deteriorated since the Secretary of State's visit. While the overall level of violence has fallen since the spike in the first two weeks of the month, attacks appear to be more sophisticated and better coordinated. US military tactics are focussed on Fallujah and Sadr's militia. They are making some progress in isolating Sadr, but the longer term impact of television pictures from Fallujah and the treatment of Iraqi prisoners will not help to achieve the levels of consent needed for a successful handover. Nor will it add to the security of the many aid personnel and contractors expected in Iraq over the next few months to implement projects under the Supplemental.

4. There are more encouraging signs of progress on the economy: lots of new building work in Basra suggesting that people are beginning to invest in

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their longer term future and lots of new water pipes being laid, and jobs being created. Overall, we found experts working on economic reform in Iraq optimistic about the future. The foundations of a market economy have been set through the currency exchange, new Central Bank, and simplification of trade and tax. And the ending of sanctions has opened new opportunities for business. But the reforms are only half done: fuel and utility price subsidies and the Public Distribution System for food send the wrong signals to business. So whether Iraq will remain a single resource (oil) economy with the potential for a small elite to recapture the revenue or broaden out into a modern market economy is still to play for.

DFID Programme

5. The DFID programme is focussed on capacity building in government at the centre and in the southern governorates, and helping other donors to spend their money well. Most of our finance for reconstruction is flowing through the UN and World Bank Trust Funds, thereby encouraging both to engage fully in Iraq. This seems to us right. Our capacity building work is being slowed down a bit by the security situation but getting the government to focus on essential tasks and to modernise its systems is clearly essential to the next stage of Iraq's recovery. Helping to establish a small Cabinet Office could be a key contribution for the next phase of the Emergency Public Administration Programme. We must press the UN harder to reengage on the development side. If Brahimi and his team can visit there seems no very strong reason why UN staff from Amman should not visit as well. The Iraqis are frustrated with lack of contact with UN staff. The World Bank has done better through its video conferencing facility, though it too ought to begin making short visits with appropriate security measures.

6. Jim met the MoD recce team considering whether the UK should contribute forces to the Centre South command. Clearly any military engagement will need to be assured that there is reconstruction work underway in the two governorates. The Iraq Directorate team is checking this out. The options include the Supplemental, where works orders under the recently issued prime contracts might be changed in favour of these two governorates, the extra DFI funding, and money for Quick Impact Projects which have in the past been financed by the Treasury. DFID's knowledge of the area is very limited and it would be best to start Governorate Support work in the four southern provinces before expanding.

Transition issues

7. With two months to go there is very little time left to finalise arrangements for the end of the CPA and the opening of embassies. In both Basra and Baghdad, work is progressing on the new Embassy/Consulate facilities, but how much can be finished by 30 June remains uncertain not least because of the security situation. Patrick Nixon stressed to us the critical need for decisions in both Washington and London on the future of the CPA(S) site and the support arrangements needed for those who stay. There are similar

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issues in Baghdad. We pressed Bremer's Operations Director, General Oster and Ambassador Holzmänn on:

- The future of the Green Zone. Decisions are for Washington and none have been taken. But both expect that the Green Zone will remain as now until late in the year when the US may decide that it no longer needs the Convention Centre and the Rashid Hotel. This would probably work for us so long as we no longer need the Convention Centre car park living accommodation and have moved the DFID office out of the Convention Centre.
- Support Contracts. Both expect the KBR contract to provide food and other life support to continue until September, but this is not nailed down. We should of course have our own support contracts in place by then, but in case not we may need to rely on them.
- US role in the regions. This is still not resolved. Holzmänn expects that the State Department will take over four sites in the regions including the CPA site in Basra, but the PMO already thinks it is responsible for the Basra site. Unfortunately this confusion can only be resolved in Washington. If it is decided to send UK forces to two further Governorates, we should make resolution of this issue part of the negotiation with Washington.
- Basra security. We need agreement quickly with the MoD on the security they will provide for the Al Sarraj compound after 30 June. Jim will pursue with FCO and MoD.

Security and DFID staff

8. DFID and other HMG staff are working in conditions that are only acceptable in a war or the immediate aftermath. The risks are being managed with considerable skill, and David Richmond and Patrick Nixon are clearly right to err on the side of caution while not losing chances to get the job done. In the light of the events of this month, it is right that they have prepared a contingency evacuation plan, and it will be important to keep it under review. We have good quality close protection teams, and were right to invest in armoured vehicles early on. That said the risks are still there. Staff are working extraordinarily long hours and maintaining an excellent team spirit, marred only by uncertainties about the future (both the bigger political and security picture and the transition arrangements).

9. We are extremely grateful to _____ and _____ and their colleagues in Baghdad and Basra for supporting and making the arrangements for our visit.

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