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IRAQ VISIT

1. There will be reporting telegrams from Baghdad and Basrah on the Secretary of State's visit. He will be issuing his own report to the Prime Minister. I have only a few extra points to record.

2. First, the visit was very successful. A lot was crammed into a short time: meetings with Bremer and other senior CPA figures, talks with the IGC and leading Iraqi Ministers, launching the CAP and a variety of media events, project visits and discussions with NGOs. The Secretary of State said that the briefing was strategic and succinct: a model. Putting the programme and the briefing together took a huge amount of work. I am most grateful to all of the team who contributed. Some points to follow-up:

- Oil revenues are 1 July. Bremer said the Coalition would retain control of security. He did not see how politically they could also maintain control over Iraq's oil revenues. But we agreed on the principle of transparency, both for the Iraqis and internationally, and that the IMF was the best route to secure this. We should follow this up by giving him a note based on the Treasury paper on oil revenues. (**to pursue**).
- IRFFI. We discussed with the Ministries of Finance, Development Cooperation and Industries the relative merits of trust funds and bilateral projects. They favoured the latter, because they thought the UN administration fee too high and are fed up with the UN and bank not being in Baghdad. We explained the advantages of ICB, the transaction cost arguments etc. It would be good to send them a note setting out the arguments. There must be existing material. (**Action. to pursue**).
- Decentralisation law. Although we had thought this had been shelved, its approval now seems imminent. We debated with the CPA Governance team led by Megan O'Sullivan whether the law was handing over responsibilities on which local administrations would fail to deliver due to weak capacity. The Governance team argued that the law only reflected the past 10 months' practice on the ground and was what the Governorates and Councils wanted. I doubt that we shall change this now.

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- IRMA, ABIRD etc. We discussed future structures with a number of CPA staff, using the arguments in my letter of 19 March to John Buck. Some thought that Washington would kill off proposals for a US structure to manage advice for the Ministries. It is clear that no other donors like it. We will need to keep pushing at this. John Buck's and my visit to Washington on 5-6 April will provide a good opportunity.
- Future of CPA South. We were pressed on the need for some continuity on the handover of authority, both by CPA(S) staff and Admiral Nash. We said that from 1 July things had to be different with the Iraqis in the lead supported by well targeted advice; the big money for reconstruction would come from the Supplemental, the Japanese and the Trust Funds, and you and [redacted] would be visiting to plan the transition in more detail. I will arrange a meeting to discuss.
- Quick Impact Projects. MND(SE) said that their budget for QIPS would be almost exhausted by 30 June. British Forces would remain in Iraq thereafter and could play a valuable role through further QIPS. We made no commitment, but we will need to cover this in a submission to the Secretary of State before the next Ministerial meeting on 22 April. It may be that MOD can resource this from elsewhere. QIPS are not high on my list of priorities.
- We visited the Rzero Water Treatment Plant with Wally Weeks, the CPA South Water Specialist. This struck me as a good example of how the different Coalition partners should work: the military have done some quick work to mend leaks in the Basra water system, Bechtel are repairing the main waterworks along the Shatt al Arab, DFID is paying for new water mains into the poorest areas of Basra, but providing a vital link between the Iraqi Directorates concerned with water and Bechtel and our Forces. There is an ambitious programme over the next 18 months to install the new ring main and distribution system. The current programme of pipe laying is creating 2000 new jobs. You will want to explore these links further next week to see whether this provides a useful model for future DFID/PMO engagement in infrastructure.
- The Secretary of State opened the Al Faw Generation Plant. This is funded from the EIP and providing a regular power supply to the town of Faw, the first Iraqi town to be liberated a year ago. But the site also contains several UNDP-funded generators, which no longer work and two new Kuwaiti-funded gas powered generators for which there is no gas supply. This brought home to us the need to sustain our investment against a background of weak Iraqi capacity. **(Action: I would welcome views from [redacted] on his return).** The US will of course face the same issue for most of their supplemental funded infrastructure projects on a much larger scale.

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- We met representatives of Basra women's groups. There were lots of issues, energy and frustration, but not much coordinated planning. There may be an opportunity to use the Political Participation Fund to fund work to bring them together. (Please could _____ take forward with _____).

Jim Drummond

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