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DATE: 9 July 2007

cc: PS
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Foreign Secretary

FUNDING THE COMPREHENSIVE APPROACH IN AFGHANISTAN AND IRAQ

Issue

1. There are two issues:
 - (a) how to fund mission critical elements of our Afghanistan and Iraq policies: £16-22 million annually for civilian airlift in Afghanistan, £24² million for maintaining the viability of the Baghdad Embassy site and £30-40 million for a permanent Embassy site in Kabul;
 - (b) how to secure PM/Chancellor agreement in the CSR context for a better strategic mechanism for funding the civilian elements of HMG's comprehensive approach to conflict resolution.

Recommendation

2. I recommend that you raise these issues with Des Browne and Douglas Alexander on 10th July to try to secure their support for:
 - a bid from the reserve for the three immediate funding priorities; and
 - a new funding mechanism going forward. There are two main possibilities: bids to the reserve in exceptional circumstances to include both civilian and military costs; or a ring-fenced multi-year contingency fund from which eg FCO and DfID could draw.

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If the two Ministers agreed, you might suggest a joint letter from the three Ministers to the Chancellor with this proposal.

Argument

3. There is no satisfactory Whitehall method to resource high priority, non-military work in conflict areas, in support of Ministerially agreed policy objectives. Afghanistan and Iraq are cases in point. Ministers have long agreed that there is no purely military solution to these conflicts: a comprehensive approach is required, covering security, governance and rule of law, development, information and (in the case of Afghanistan) counter-narcotics. But there is no mechanism to fund in year priorities for this. The MoD can call on the reserve for additional military expenditure. HMT tell other Departments that their expenditure, including eg for police training, must be funded from re-prioritisation. At best this significantly slows down our ability to respond. In real terms it often means the non-military elements of our campaign are under-funded, with a direct impact on the length of time the military need to remain.

4. As a result, in recent years it has proved very difficult to fund the Better Basra Plan, the Afghan Counter-Narcotics Strategy, Provincial Reconstruction Team (PRT) activities in Helmand and the Counter-Insurgency Strategy in Afghanistan. These have had to be negotiated across a range of Departments and budget holders, with time-consuming turf battles, diverting effort that would have been better employed on developing and implementing effective policies. Delivery has been substantially delayed. A disproportionate amount of ministerial and senior official time has been spent reaching agreement on what are very small amounts of money overall, but large amounts when looked at against the FCO's budget.

5. In the short term, the FCO faces two specific funding gaps:

- (a) in Iraq, we need to invest £24 million in the Baghdad Embassy site simply to maintain our presence and current level of activity in a worsening security environment. We need to build properly hardened accommodation for all staff; extra accommodation for an expanded perimeter guard force; a helipad and a small new Residence (use of the current US helipad and our current Residence will be lost when the US Embassy moves to its new site later this year); and an upgrade to the power and water systems to cope with the severe stress they are under. HMT agree that this work should be jointly funded by all Government Departments (notably DfID and MoD) represented on site. But none of the Departments has capital money available to spend. The FCO request to bid to the Reserve for our share of the costs of this project was rejected;
- (b) in Afghanistan, we need £16-22 million annually to procure airlift for civilian staff to implement HMG's objectives in Afghanistan (drugs, police, development and diplomatic officials). Going forward, we shall also need at least £30-40 million for the expansion of our Embassy site in Kabul or acquisition of a new site (and possibly considerably more, depending on whether OGDs can be persuaded to stump up their share of the costs: cross-Whitehall discussions to date have made little progress).

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Background

A 6. There has been some, albeit slow, progress on developing a coordinated Whitehall strategy on conflict prevention/resolution/stabilisation. In particular, the establishment of the Africa and Global Prevention Pools in 2001 brought together some disparate funding and delivery streams from across government and, with some additional funding, provided a platform for a more coherent policy approach. But this conflict prevention funding is now being diverted to fund the civilian aspects of a comprehensive approach in Afghanistan and Iraq at the expense of longer term prevention policies elsewhere. Post-Iraq, the Post Conflict Reconstruction Unit (PCRU) was established in 2004. Overall, there is still a huge way to go in establishing an effective cross-Whitehall approach (Cabinet Office paper of February 2007 setting out the issues attached).

B 7. There has also been some recent inter-ministerial discussion, including in Cabinet in February 2007, when Margaret Beckett put down a marker about resourcing of expeditionary operations. She followed this up, in the context of the FCO's CSR bid in a letter to the Chief Secretary on 1 March (attached).

C 8. More recently, Margaret Beckett wrote to the Chief Secretary on 31 May requesting a call on the reserve for the urgent security works at the Baghdad Embassy. The Chief Secretary's reply of 19 June rejected this request, and asked her to look to the FCO's End of Year Flexibility – though there is no capital EYF (letters attached).



Mark Lyall Grant

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