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From the Secretary of State

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Telephone:
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21 March 2003

Dear Paul,

IRAQ HUMANITARIAN FUNDING: RESERVE CLAIM

Summary

I can provide £80m from my Departmental budget for humanitarian relief in Iraq in 2003/04. Following my visit to New York this week, I have committed all but £5m of this. I now need access to the Reserve for an additional £120m. Once the scale of humanitarian needs over the next 4-6 months is clearer - which it may be, depending on military developments, in three or four weeks time - we may be able to quantify additional humanitarian requirements for the remainder of 2003/04. If we are lucky, they may be minimal, with the bulk of the costs falling on the (revised) Oil for Food programme. On reconstruction, our aim should be to have most of the bill paid from the proceeds of sales of Iraqi oil and support from the IFIs.

Detail

Humanitarian Assessment and Requirements

The humanitarian position in Iraq is changing fast. The situation is unpredictable, but with 60% of the Iraqi population - some 16 million people - dependent on the Oil for Food Programme for all essential goods, and its inevitable disruption during the conflict, there is every possibility that we could face a humanitarian tragedy over the coming weeks. This is the case even if the conflict itself causes little additional suffering directly. We can see four (overlapping) phases:

- first, during and in the immediate aftermath of the conflict, when humanitarian relief can be delivered only by the military (who you are funding separately, but may need more resources than you have so far agreed) and the Red Cross,

- second, a period in which the

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second, a period in which the security situation permits UN, NGO and other relief agencies to operate, but before the Oil for Food programme can assume the bulk of the financing burden;

third, a period when the relief programme might ideally be financed largely from a revised Oil for Food programme, with a continuing UN role in implementation.

and later a phase where reconstruction work can also begin.

The Oil for Food Programme is currently spending at the rate of \$10 billion a year. Some \$4 billion of unspent OFF money may be available to finance humanitarian needs before oil revenues resume again, but freeing up these resources and giving the UN access to them will require a new Security Council Resolution. We are working to achieve this, but the prospects and timing are still uncertain.

My Department has been working with key international partners on planning for the first two phases. We have committed £10m in 2002/03 to UN agencies and NGOs to help prepare for a range of scenarios. Our contribution has helped to get the agencies to the point where they are in a position to organise and implement relief programmes if financing for such programmes is subsequently agreed. We have also seconded staff to MoD and brought our own staff and material capabilities to a state of readiness.

As we move from preparation to the actual delivery of humanitarian assistance, resource needs will accelerate fast. Based on reasonable scenarios and past experience, humanitarian needs for UN, Red Cross and NGO programmes could range between \$2.5 and \$4 billion over the next six months. The lower scenario assumes that the conflict is short lived with limited damage to Iraqi infrastructure (including transport and distribution systems, and water and health facilities) and little displacement of people. It also assumes that the UN is able in due course to take charge of and maintain the Oil for Food Programme with minimal disruption, but that in the interim the UN may need to provide food to 10 million people.

There will be a number of flash appeals from the international system over the coming days. The UN is now expected to issue an *initial* flash appeal for \$1.9 billion to cover the first six months of the crisis. This is almost double our expectation earlier this week, and reflects the UN's growing concern over the humanitarian situation. The ICRC and the IFRC launched separate appeals on 20 March totalling US\$160m. The Red Cross agencies (ICRC and the IFRC) are critical - they are set up in the region and already operating on the ground. If the conflict is prolonged, the ICRC will launch a further appeal.

Major NGOs - British and others - are gearing up for relief and humanitarian operations. Some NGOs have significant experience of working in Iraq and have an important role to play alongside the UN, Red Cross and bilateral donors. They are starting to approach us for funding.

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In previous humanitarian crises of this sort (eg Afghanistan last winter), the UK has provided approximately 10% of the international response. On Iraq, it is clear that it will be harder to persuade some of the other major providers of finance to provide their usual share, and that their response will be slower. (The EU, for example, have to access their emergency aid reserve, on which decisions on releases of resources have historically taken 83 days to pass through the Commission, Council and Parliament). If we want to avoid a humanitarian crisis, I see no alternative to a UK response on a larger and faster scale than we would usually envisage.

DFID Resources

My contingency reserve (DUP) for 2003/04 is £90m. This represents 3.5% of the resources available to me for discretionary programmes (ie excluding EC budget attribution, capital charges etc). I have a larger DUP than most Whitehall Departments, because I have to respond to international emergencies and new crises every year. There are already a range of potential calls on it for 2003/04, including for the southern Africa and Horn of Africa food crises, Afghanistan and emergency requirements for the Palestinians.

I have nevertheless, recognising the scale of the need in Iraq and the ramifications of a major humanitarian emergency there, allocated £75m from the DUP to respond. I need to retain a minimum of £15m to deal with other emergencies as they arise: it would not be responsible to enter the new financial year with no capacity to respond to other humanitarian crises or contingencies which will inevitably arise during the year. Nor is it tenable politically for us to cut well publicised budgets for our main development programmes in order to redirect resources to Iraq: as it is, the resources available for my regional programmes in Africa, Asia and the rest of the world in 2003/04 are in cash terms no greater than in 2002/03. I have made public commitments that we will not take money away from other poor people to pay for the Iraq crisis.

Proposed Response

In addition to the £75m I have drawn down from my DUP, I also have a budget of about £5m to continue to finance programmes in Iraq that we have been supporting in recent years (mostly operating through NGOs in the north). From the total £80m I can find in 2003/04, I have, following my discussion with Kofi Annan this week, earmarked \$100m (£65m) for the UN flash appeal. I will announce this as soon as the appeal is launched, and use our commitment as a basis to push others to contribute. I have also approved allocations of £10m to support further preparations by the World Food Programme, the Red Cross and international NGOs. These commitments largely exhaust the resources available to me.

But I still need urgently to allocate additional resources:

- i) to respond to the Red Cross appeals launched on 20 March. I judge that we need to commit £35m now for these, so that the Red Cross is able to respond fully in the first days and weeks,

- ii) for NGO programmes.

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ii) for NGO programmes. It is not tenable for us to tell leading international NGOs like Save the Children who are working up plans to contribute to the international relief effort, and who the UN and others are assuming will be playing their usual role, that we have exhausted our funds. I need £20m for this,

iii) for DFID's bilateral contribution. As in Afghanistan (and indeed most complex humanitarian emergencies), we will need to be able to deliver direct emergency support to fill gaps in the wider international response. The UN want our help with various logistical, transport and information management and coordination functions. They also want experienced British relief professionals who we often contract for them. I need £15m for this,

iv) another £50m for the UN appeal. Given the UK's role in the Iraq crisis, we cannot conceivably avoid meeting less than a 10% share of the UN humanitarian appeal. My initial contribution of \$100m will need quickly to be followed up to get us closer to a 10% share.

Overall, therefore, I now need additional resources from you totalling £120m. If the international relief system is to be able to deliver effective programmes in Iraq within the next few weeks, it needs resourcing now in order to let contracts, hire staff and purchase and ship supplies. No doubt your preference would be to wait to see how the situation develops in the hope that additional funds may not be needed. But in the judgement of my professional humanitarian relief specialists, if we do not resource the international system and NGOs adequately now, they will be unable to deliver in time to avert a horrific crisis. We would also be heavily criticised for being willing to spend large sums on military activity and very little on humanitarian relief. So I need your urgent agreement to my proposal.

Our hope is that the disruption to the Oil for Food programme lasts no longer than the month the UN are at this stage assuming. If that proves to be optimistic, we will need to discuss humanitarian financing needs further.

In the longer term, we will need to consider reconstruction costs. We agree with you that there should be broad international burden sharing of any financing gap unmet by oil revenues, with a major role for the IFIs. But we will need to discuss these issues further at the appropriate time in the coming weeks, once the post-conflict situation is clearer and we have an IFI led needs assessment.

I should finally make clear that, given the extent to which I am under these plans drawing down my DUP, I cannot rule out coming back to you if we face other major emergencies in the next 12 months.

I am copying this letter to the Prime Minister, Gordon Brown, Jack Straw, Geoff Hoon and Sir Andrew Turnbull

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