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MDDPAN 7003 ZILNAN 6531  
RESTRICTED  
RR FCOLN GRUBB  
FM MODEV TO BAGHD  
061235Z SEP  
GRS 557

RESTRICTED  
FM DEPARTMENT FOR INTERNATIONAL DEVELOPMENT  
TO PRIORITY BAGHDAD  
TELNO 1  
OF 061235Z SEPTEMBER 04  
AND TO PRIORITY BASRA  
INFO ROUTINE CABINET OFFICE, DEFRA, EU POSTS, FCO  
INFO ROUTINE MIDDLE EAST POSTS  
INFO ROUTINE MODUK/MODUK NAVY/MODUK AIR/MODUK ARMY/MODUK PE  
INFO ROUTINE UKMIS NEW YORK, WASHINGTON

MODUK for PJHQ

SUBJECT: SUBJECT: SOUTHERN IRAQ: TRUST FUNDS

BASRA TELNO 1 TO BAGHDAD

SOUTHERN IRAQ: TRUST FUNDS

Secretary of State has discussed the World Bank and UN International Reconstruction Fund Facility for Iraq (IRFFI) during his visit to Baghdad and Basra on 31 August and 1 September. Basra are right that getting PCO and Trust Fund programmes moving faster is critical, but not that our contribution to the Trust Funds is pointless.

2. The IRFFI was established after the Madrid Conference. It is designed to operate until 2007. As with most Trust Funds, we cannot withdraw funds that we have paid in and projects cannot be agreed or contracts signed before sufficient funds to cover them are paid in. IRFFI has several purposes:

- To deliver reconstruction on the ground;

- To allow donors to pool resources and streamline procedures. This reduces their overheads, and gives the Iraqis fewer donors with their own priorities and procedures to negotiate with.

- To encourage the UN and World Bank to reengage.

3. 21 donors have committed over \$1bn to IRFFI, including #70m from DFID (13% of the Madrid pledge of #544m). By August about \$790m had been paid in, \$427m to the UN and \$360m to the World Bank. The UN has approved 35 projects worth \$371m (representing 87% of deposits). Individual agencies are beginning implementation. The World Bank has approved \$40m for school textbooks, \$60m for school rehabilitation, and a programme for public administration training. It is developing programmes to rehabilitate rural and urban infrastructure and support for health. UN and World Bank disbursements have started. Details

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will be given to donors before the Tokyo meeting. Approved IRFFI projects to benefit the south include UNICEF water and sanitation projects, UNDP rapid employment programmes, power sector projects and port dredging, UNHCR programmes to assist the reintegration of returning refugees, and UNEP assistance in the Marshlands. We are told these are underway and are largely run by the agencies local staff. We will seek UN agreement for you to visit them. The UN are understandably extremely sensitive about the security of their local staff.

4. Minister Hafidh told the Secretary of State that he was much happier with collaboration with the World Bank and UN. He expects to produce the first draft of a National Development Strategy for discussion at the Tokyo donors meeting. This will set some strategic priorities rather than, as previously, long lists of unprioritised projects, and follows useful work with the Bank.

4. IRFFI was set up to deliver medium term benefits to Iraq rather than quick fixes. Now that funds have been gathered and programmes approved the real test is delivery. We have told the UN that we need information about disbursements and details of projects that can be visited. Ross Mountain, in Baghdad for his first substantive visit, told Mr Benn that he expected the UN to open an office at Basra port by end September (New York permitting). You and UKMis New York should encourage this.

BENN

YYYY

MAIN 8

IRAQ/KUWAIT 8

IRAQ DIRECTORATE 0

FCO RESPONSE CENTRE 0

CONSULAR D 0

PROTOCOL D//PALACE 0

0

PS MR OBRIEN 0

PS MR RAMMELL 0

ADDITIONAL 1

.IRAQ/KUWAIT 0

.(IRA) 0

ATT GEN//C ADAMS 1

BANKE 0

CAOFF 0

CAOFF1 0

CAOFF2 0

DFID1 0

DFID2 0

ECGD 0

FSA 0

HMT 0

MOD 0

NO 10 0

UKTI1 0

UKTI2 0

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