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SECRETARY OF STATE

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13 *John Bony*
Update on Basra, including details of additional projects to deliver a 'Better Basra' and the associated funding. Maliki engaged but not decisive on appointing security lead and we may need your further engagement. Decisions on funding and further reporting needed before Recess.

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You asked me to assume responsibility for co-ordinating our efforts in Iraq. Now that we have an increasingly effective government of national unity in Baghdad, I want to focus on setting the conditions for transition of Basra to Iraqi security control.

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On the positive side, we have a coherent strategy and associated delivery mechanism in the form of the UK-led Provincial Reconstruction Team in Basra. Also there is little mainstream insurgency activity there and the Iraqi Army is increasingly effective. On the negative side, though, the Basra governor is implicated in corruption and sectarian violence; the Provincial Council has consistently failed to grip security or to deliver basic services; criminality is on the increase, and the Basra police are in part incompetent and a number are corrupt and criminal; there is a worrying level of sectarian violence and

The Rt Hon Tony Blair MP
The Prime Minister

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intimidation, mainly Shia/Shia but also targeting the Sunni minority; and a failure in Baghdad even to begin to realise Basra's enormous economic potential, coupled with high unemployment.

I will be chairing a DOP(Iraq) meeting on 6 July to discuss and agree the Basra package, a range of new projects to support the 'Better Basra' Action Plan at a total cost of £30.7M for the remainder of this financial year. These projects will deliver: a new unit to clean up the Basra police from within; additional, *in situ* mentoring of the Basra police; a new unit to fast track corruption, organised and major crime cases through Basra's courts; mentoring Basra Regional Prisons Director and his senior staff; more training for judges; and witness protection. The aim is to increase the capacity of the Iraqis to deal with those detained by the Iraqi Security Forces and so avoid the legacy of long-term detention of large numbers.

You will be aware that Departments have undertaken reviews and reallocations to fund existing projects and have achieved some additional funding from the US. I will ask Ministerial colleagues to agree to look at their own departmental budgets again over the next week in an attempt to identify further savings from both on Iraq and their wider business that might be used to fund the Basra additional work. I will then discuss departments findings with the Chief Secretary of the Treasury prior to the next DOP(I) meeting, towards the end of July, so Ministers can agree the way forward there. Should departments not be able to find sufficient savings to cover the entire £30.7M, I will be asking Ministers to agree that I should seek Treasury agreement to access the Reserve to fund the remainder of new projects or not to undertake them at all.

This re-energised approach is an integral part of, and will be combined with, energetic implementation of the Basra security plan, including intensified operations against corrupt and sectarian elements in the police; and will be reinforced by strong momentum on the range of reconstruction and development projects, implementation of which will be directly linked to improvements in security. We will also increase our focus on communications to optimise our influence with the Iraqis. Whilst ultimately it will be up to the

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Iraqis to deliver substantial change, taken together, I believe that these measures will make a real difference in creating a better Basra and setting it on the road to transition.

Within the next fortnight I expect to be in a position to be able to update the Chief Secretary and Cabinet colleagues on the overall costs of our operations in Iraq this financial year and next. Details of the political, security, Rule of Law, governance and economic development initiatives are attached at Annex A together with the associated funding issues.


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ANNEX A

BACKGROUND ON ADDITIONAL BASRA WORK

Political

We continue to put pressure on the new government in Baghdad to grip the situation in Basra. We have been clear with them that their political leadership and support is a pre-condition for our commitment.

PM Maliki is engaged - he visited Basra at the end of May - as are the new Ministers of Defence and Interior. Through them, we have secured Ministerial agreement (at the Ministerial Committee on National Security) on the Basra Security Plan, and commitment by the Ministry of Interior to begin to address the corruption within the Basra police (a team of senior officials was recently sent to Basra). Maliki has also now informed Governor Wa'ili that he no longer has overall security responsibility in Basra. We continue to push for the appointment of an Iraqi Security Chief to oversee, and drive, the implementation of the Security Plan.

In Basra, we are continuing our close contact with the Governor and the Provincial Council. On my recent visit I encouraged the Governor to work with us on improving security and the delivery of services, as well as co-operating with us on economic/reconstruction projects. We have underlined to politicians in both Basra and Baghdad that we cannot operate effectively without locally engaged staff; their intimidation must stop if we are to be able to deliver.

In response to your visit in May, the Southern Iraq Steering Group has been set up, chaired by HM Consul General with participation from across departments and agencies to co-ordinate delivery of a coherent strategy for Southern Iraq focused on Basra. Much of the work on governance, rule of law and infrastructure will now be delivered in a coherent fashion through the new UK-

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led Provincial Reconstruction Team in Basra, drawing together inputs from the US, Danes and other international partners.

Security

The new Iraqi Army is by and large a success story. MND(SE)'s 10 Division is already demonstrating competence in planning and executing operations, and should be fully operational by the end of this year. The Iraqi Security Forces' (ISF) increased role and higher profile in Basra, together with UK operations to target corrupt and sectarian elements in the Iraqi Police Service (IPS), have led to some improvement in the security situation. The Basra security plan, now in the early stages of implementation, will require some six to nine months to deliver a more acceptable security environment. In contrast to the other provinces in MND(SE), handover of security in Basra is therefore unlikely before early 2007.

There will, however, be an enduring requirement for ISF sustainment purposes, and to this end we anticipate the need to commit up to £20-30M for MND(SE) as a whole from Project OSIRIS over the year ahead; though because of the time lag between approval, commitment and spend, do not expect to actually spend much of this figure during this period. There is also an estimated £10M for Civil Effects Funds required over the next year, which is primarily for Basra International Airport development. These are subject to further discussion and a separate bid.

The Basra police remain, however, a cause for concern. Overall performance, compounded by widespread corruption and tribal and sectarian loyalties, remains poor. To improve this situation, we will:

- Continue to press for the appointment of a suitable figure to oversee the Basra security plan; and for Governor Wa'ili to be sidelined on security issues
- Work with the ISF to intensify operations against corrupt and

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criminal police, and against rogue militias.

- Op Fayha in Basra is proving to be an invaluable exercise in demonstrating IPS / IA co-operation and joint planning and patrolling; and the increased security presence has been welcomed by the Baswaris.
- Establish a Department of Internal Affairs within the Basra police to investigate and prosecute corrupt and criminal elements. This requires eight British police officers at a total cost of around **£4M**.
- Increase IPS mentoring at their place of duty, doubling our contact with them. This requires 20 additional police advisers at a cost of around **£10.3M**.
- Provide additional technical surveillance, already funded, to pre-empt attacks against the coalition and civilians.
- Increase publicity of the 'TIPs' confidential informant hotline.

Rule of Law and Governance

We also need to improve the capacity of Basra's criminal justice system – specifically to process cases of police corruption, but also to increase overall capacity to deal with cases of organised and major crime. To help to achieve these, we propose the following projects:

- Rapid response fund of **£5m** for the Southern Iraq Steering Group to target projects in support of good governance and other priority work such as health and rule of law sectors.
- Prosecution mentoring to build capacity in Basra's criminal justice system, requiring five criminal lawyers, one police adviser and one judge, at a cost of around **£4.2M**.

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- Establishment of a team, comprising three personnel, to oversee the establishment of the new Basra Central Prison, at a cost of around **£1M**.
- Improve the basic infrastructure (at a cost of **£600k**) of the Iraq-wide Judicial Training Institute, to increase the rate at which judges can be trained, including those destined for southern Iraq.
- Enhance witness protection through provision of 10 UK witness protection officers at a cost of **£5.6M**.

Economic Development and Reconstruction

A number of reconstruction projects are already underway which will deliver visible improvements in Basra over the next six months. These are due to complete over the next two to six months and encompass electricity generation, provision of drinking water, improvements at Basra International Airport, primary health care, and governance and economic capacity building. In addition, MND(SE) will spend \$24M of US Commanders Emergency Response Program (CERPs) money in Basra until December 2006. All but \$2.2M of US CERPs money for MND(SE) is currently committed to specific projects. A further allocation of \$19.5M CERPs will be made available in July, as will \$11M US funding for primary healthcare although the latter is a US-led initiative that UK will have no involvement with. Departments are working together on a communications strategy to maximise the potential of CERPs and DFID projects to gain local support and cooperation.

In addition to achieving impacts quickly we are also focusing on our longer term legacy, by building the capacity of provincial government to deliver services to the local population. With UK support Basra (and other provinces) have produced Provincial Development Strategies and Provincial Resource Statements. These will enable provincial government to bid for funding from the national budget, and manage that funding to provide better public services in

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line with local need. Encouraging other donors to spend in the south is a priority. However, security, rather than funding, remains the main constraint on economic development and reconstruction in Basra. A significant improvement in security would allow donors such as the UN (currently active throughout Iraq, but not able to be visible) and private companies to implement more easily and invest more visibly.

One of the principal mechanisms for coherent delivery of the reconstruction effort will be the UK-led Provincial Reconstruction Team (PRT). The PRT is now almost fully staffed, but it lacks resources for project work and will need funding from December 2006 (approximately £3M for 18 months until the expected end of the PRT life – not included in the project funds). US funds (\$15 million, for each PRT) are still to come on-stream. Given Basra's strategic and economic importance and the complexity of its problems, we are pushing the US to make additional funding available for the PRT and encouraging other donors, such as the Australians (who have £10M available for projects in Basra) to provide funding through the PRT. Initial ideas include an expansion of tomato processing capacity (£3M); upgrading 100km of water mains (£3M); and an as yet undefined quick-win health project.

Funding

I have focused on the UK contribution to development. The total bill for the projects outlined above is £30.7M for the remainder of this financial year – currently unfunded, but a relatively small sum given the strategic importance of Basra. This does not include the provision for Basra PRT or Project OSIRIS and Civil Effects Funds (which will be the subject of separate discussions at official level over the next few weeks). While it may be possible to identify some savings to fund this work, we may ultimately need to examine the scope for drawing on the Reserve now, perhaps with the prospect of making savings from other sources later. I will ask colleagues to examine again the scope for savings from Departmental budgets, but some initial options include:

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- Reallocation of a £700k underspend, with HMT approval, from the FCO peacekeeping budget.
- Early withdrawal of UK police trainers from the Jordan International Police Training Centre (JIPTC) to save £2M. I am however concerned that this would send the wrong signal to the US, and would undermine the investment we have made in the JIPTC thus far.
- Drawing on the GCPP reserve (up to £8M). This would potentially be at a significant opportunity cost to other activity, including possibly in Africa and Afghanistan.
- Lobbying of international partners for further donations. Naturally this would take time, and could not be guaranteed to yield adequate resources, particularly given competing priorities.
- Both the World Bank and Japan (\$3.5bn) are keen to invest large amounts of loan financing in the south, but are facing considerable difficulties getting projects started, in part due to weak Iraqi capacity to manage loan programmes, but also because of security constraints.
- Other possible sources we are pursuing are Iraqi funds for Basra, UN and the International Compact.

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