

DECLASSIFIED



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

CONFIDENTIAL

Rt. Hon. Jack Straw MP,  
Secretary of State,  
Foreign and Commonwealth Office,  
King Charles Street,  
LONDON SW1A 2AH

9 September 2003

A handwritten signature in dark ink, appearing to read "Jack Straw".

**IRAQ RESERVE CLAIM**

Further to your letter of July 18<sup>th</sup> and our useful telephone conversation, I am writing to agree to £22m of your claim for £38m relating to Iraq.

2. I am happy to agree to the £16m for extra Security for CPA Secondedees, in light of the heightened threat. The security of HMG Secondedees is of paramount importance and myself and cabinet colleagues are grateful for your department's pragmatism in getting the job done. This money will come from the remaining £55m of the £60m that the Chancellor announced in the Budget for reconstruction and development in Iraq.

3. I understand that in the wake of the UN bomb, FCO security advisors have rapidly reassessed the threat, and that this may lead to further costs of around £10m. These are government-wide costs and

DECLASSIFIED

DECLASSIFIED



CONFIDENTIAL

should again be covered in-year from funds allocated for reconstruction. However, lead departments on Iraq should note that I expect them to liaise and plan ahead so that they can absorb CPA Seconded costs next year from existing baselines.

4. I am also willing to cover from the Reserve £6m of the £7.7m you intend to spend on Security for the Baghdad Office, as I accept that the majority of this spending could not have been predicted.

5. However, as discussed today I regret that I cannot accept the balance of your claim. I am unable to agree to £5m new money for the costs of establishing the British offices in Baghdad at this stage. Nor can I agree to covering the total claim of £6m for Basra representation. I agreed to the FCO Reserve claim for the flat-pack embassy in February 2003 because this occurred too late in-year for FCO to re-prioritise. However, I would have expected the FCO to have adjusted their internal Resource Allocation Round at the end of last year and allocated sufficient funds to cover these increasingly likely contingencies.

6. On security in the Middle East, once more, I would have expected FCO to allocate sufficient funds to cover these contingencies. Increased Security is a recurring theme that you must be able to flex your resources to accommodate. The costs for special envoys are of a size that I would expect FCO to absorb.

DECLASSIFIED

DECLASSIFIED



CONFIDENTIAL

7. You also forecast additional Iraq-related spending of £28m for next year. I am glad that FCO is planning ahead – this gives you ample opportunity to re-prioritise accordingly. You should not assume access to the Reserve or an increased FCO baseline to cover this expenditure.

8. I do understand that your finances remain under pressure. However, I must again stress that I have a duty to balance the needs of departments with the extreme fiscal pressures the Government faces, in the same way that departments have a duty to balance their budgets, by planning for contingencies and re-prioritising spending.

9. I am copying this letter to Baroness Amos and Cabinet ministers.

A handwritten signature in black ink, appearing to be "P. Boateng", written over a horizontal line.

PAUL BOATENG

DECLASSIFIED