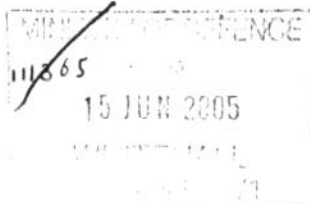


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IRAQ: FUNDING FOR A FURTHER PROGRAMME OF SECURITY SECTOR REFORM AND A CIVIL EFFECTS FUND FOR MND(SE)

ISSUE

1. A bid for additional financial resources for the current financial year for a further programme of Security Sector Reform and small-scale, military-led infrastructure reconstruction and similar projects in MND(SE), Iraq.

RECOMMENDATIONS

2. Secretary of State should note:

a. the impact thus far of expenditure by MND(SE), MNF-I and others on Security Sector Reform and military-led reconstruction in MND(SE);

b. that we will shortly be putting forward a case to HMT to spend the bulk of the remaining funding already approved for Project OSIRIS;

c. that we have developed a plan to align future programmes with the MOD's strategy for our progressive disengagement from south-east Iraq, with other Departments engaged in south-east Iraq, and with MNF-I's plans to support SSR and reconstruction in this area;

and agree in principle:

d. to make a bid to HMT for a further £58M for Security Sector Reform and military-led reconstruction in MND(SE) for financial year 05/06 so that official level discussions with HMT officials can begin.

TIMING

3. Routine.

BACKGROUND

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4. Security Sector Reform and capability building within the Iraqi Security Forces (ISF) is the main focus for the UK military effort in MND(SE). More capable ISF, coupled with the maintenance of consent amongst the Iraqi population, offers the possibility of withdrawing UK force elements from 2 of the 4 provinces in MND(SE) by the end of the year.

5. The US have large and sometimes unwieldy programmes in place both for reconstruction projects in Iraq and for training and equipping the ISF. These are summarised at paragraphs 2-3 of Annex A. But because these programmes are ill-coordinated, and MND(SE) is not perceived as a priority in security terms, it has been necessary over the past 2 years to make separate UK provision. This has taken the form of Quick Impact Programmes (QIPs) and Project OSIRIS – the UK-funded provision of equipment to ISF in MND(SE). The scope and results of these programmes are set out in paragraphs 6-10 of Annex A.

6. We need to maintain ISF development, and continue to build and maintain consent for the coalition presence in MND(SE). Plans for the balance of Project OSIRIS funding are well advanced (paragraphs 11-12 of the paper detail the capability areas which need to be targeted). Further to this, we must continue to make separate national provision. The level of US funding available is declining, and our experience of US programmes is that they are unresponsive to the needs of MND(SE). We assess that a further £58M will be needed, which will include a successor programme to OSIRIS, and a further tranche of civil infrastructure project money. Paragraphs 17 and 18 of the attached paper address the detail of these.

7. In light of the level of additional funding we are seeking, and since this will require parliamentary approval, the Secretary of State, if he is content, will need to write to the Chief Secretary setting out the detail of our proposals. Before submitting a draft letter, we will work with colleagues in London to provide to HMT officials the further detail they will require to consider this case. Subject to Treasury agreement, we will then lay a minute before Parliament. Meanwhile, Treasury officials have allowed us a degree of flexibility in continuing interim QIPs projects.

PRESENTATION

9. There were a couple of objections by backbenchers to Project OSIRIS, and the chairman of the PAC made some critical observations about the limited time MPs had to consider a number of the minutes put before Parliament. The then Secretary of State responded robustly.

10. We have not made as much as we might of the success of the original OSIRIS programme. Steps are now being taken to promote the benefits of the programme to the ISF and to the coalition's long-term strategy. Looking ahead, we propose to be more assertive about the potential benefits of a further OSIRIS programme including in Parliament and the media. A detailed presentation plan is being worked up with DGMC's staff.

(Signed)

SUSAN SCHOLEFIELD
Command Secretary, PJHQ

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**FUNDING FOR A FURTHER PROGRAMME OF SECURITY SECTOR REFORM
AND A CIVIL EFFECTS FUND FOR MND(SE)**

1. A great deal of money has been spent, principally by the US, on reconstruction and Security Sector Reform since the end of hostilities in Iraq at the start of May 2003. A good deal more is planned. Results were initially frustratingly slow in coming. But progress picked up in the second half of 2004. The following paragraphs seek to put the MOD's achievements, plans and programme proposals into the wider context.

US FUNDING

2. Of the \$20.9Bn available through the US Iraq Reconstruction Management Office since May 2003, some \$18.9Bn has been committed, \$15.3Bn obligated, but only \$7Bn disbursed (ie. spent). Of this, some \$1.3Bn was allocated to the MND(SE) region and is largely committed to a series of long term infrastructure regeneration projects, mainly in the electricity, oil, water and transport sectors and will not deliver tangible results for some time to come. The US military has also run programmes of smaller scale, shorter-term reconstruction and minor infrastructure repair throughout Iraq. Some \$100M of this US military money has been spent in the MND(SE) area on oil industry infrastructure, fuel distribution, medical facilities and the like.

3. As well as these, the so-called Petraeus Plan was conceived to re-equip the Iraqi Security Forces (Iraqi Army, Police Service and Border Guard). It is an ambitious and costly programme (some \$10.5Bn in the current US financial year). It is starting to have significant effect. Understandably, Petraeus is concentrating on equipping the ISF in the US-controlled areas in Iraq, particularly where the insurgency remains at its strongest. In theory, the Petraeus plan will in time provide equipment for the ISF in the MND(SE) area. But relatively little equipment has yet been delivered, and no coherent US plan exists against which to gauge the likelihood of significant deliveries this year.

UK PROGRAMMES

4. DFID plans to spend some £66.5M in MND(SE) this financial year, including some £13.5M on urgent infrastructure work, and some £30M on longer-term projects (mainly power infrastructure, but also water and fuel services). We are seeking to clarify FCO expenditure plans.

5. MOD's programmes of military-led reconstruction and SSR have been necessarily more limited and tightly focused. The Secretary of State was briefed on both during his recent visit to Iraq. They have been based upon programmes of so-called Quick Impact Projects (QIPs) and a separate programme to accelerate the supply of equipment to the Iraqi Security Forces in the MND(SE) area.

QUICK IMPACT PROJECTS

6. Immediately after the cessation of hostilities, HMT approved the release of £10M to provide military commanders with funding to undertake Quick Impact

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Projects, (QIPS). Two further £10M increments were subsequently approved and a total of £30m has now been fully committed.

7. QIPS has been a highly effective programme. More modest than the US equivalent and more tightly defined, it has nonetheless delivered a wide range of reconstruction and consent-building projects including bridge building and repairs, clean water for isolated villages and the refurbishment of schools, markets and state run industries.

8. The original rationale for QIPS was that the projects should explicitly contribute to improved force protection. In practice, this has been difficult to prove or quantify. QIPS (and the US Commanders Emergency Response Programmes (CERPS)) projects, together with broader reconstruction programmes, have contributed to the development and maintenance of a more benign security environment in which the presence of coalition forces is either welcomed or tolerated. It is more realistic to consider such projects as contributing to the maintenance of consent, which has self-evident force protection dimension. Our proposals, set out below, to build upon the success of QIPS with a 'Civil Effects Programme', would broaden the definition in this way.

SECURITY SECTOR REFORM

9. Since the start of the year, a key strand of US and UK strategy has been to accelerate efforts to prepare the ISF to stand on their own two feet. Coalition forces will increasingly hand over responsibility to the ISF for tackling the insurgency and concentrate more effort on an expanded programme of Security Sector Reform, embracing the Army, Police and Border Guard. To complement this training, we recognised last autumn that a programme to provide basic equipment to the ISF would be required, and that we could not wait for the Petraeus programme to provide it. To begin delivering equipment in advance of elections in January, the Prime Minister accordingly approved MOD-led programmes to deliver a wide range of equipment to the ISF, valued at some £43M, the bulk from the Treasury Reserve but including £2.5M from the Global Conflict Prevention Fund. The £40.5M programme was called Project OSIRIS.

10. As the Secretary of State will have seen from his recent visit, OSIRIS has been a success. It has made an important contribution to wider SSR and helped the ISF achieve an initial operating capability in MND(SE). As a result:

- The Iraqi Army can now deploy battalions with all four of their rifle companies correctly armed and equipped. Furthermore they now have the communications equipment to carry out basic Company-level operations – a marked improvement compared to the pre-election period.
- The Iraqi Police, who bear the brunt of the violence in the region, are now correctly armed, wear body armour and are able to communicate on a local level when on duty. The Tactical Support Units in each of the four provinces have now received armoured Land Rovers (refurbished UK military vehicles).
- The Border Police are now armed correctly, have basic communications and will take possession of 61 refurbished or rebuilt

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border forts between May and July. This will help to control criminal and insurgent activity in the border areas. The Customs and Immigration Departments now have baggage scanning x-ray machines and metal detector archways in Basrah Airport.

11. Some £25.5M of the £40.5M approved for Project OSIRIS has now been committed. There are firm plans for most of the remainder (expenditure of some £11M principally on vehicles for the Iraqi Police and Border Guards) which are being submitted by officials to HMT for approval. Following agreement by HMT, the Department will need to lay a minute before Parliament; we will submit separately on this.

12. There is still some way to go before the ISF can be accredited with full operational capability. A Divisional Headquarters and three Brigade Headquarters will be formed and four additional Army Battalions will be raised. The Border Police will be expanded and the Police restructured. They will all need to be trained and equipped. MND(SE) judge this structure to be appropriate to future security needs in south-east Iraq.

13. The Petraeus equipment programme remains in disorder and although items of equipment are delivered from time to time there is no coherence in their numbers or nature. As the bulk of the original Project OSIRIS programme draws to a successful conclusion over the next few months, there is a danger that the momentum and confidence that it has generated could stall were we to rely on the US programme.

NEXT STEPS

14. Planning is maturing for the progressive disengagement from south-east Iraq. Subject to satisfactory progress with the training of ISF and to political developments in the MND(SE) area, we assess that it could well be possible to hand lead responsibility to the ISF in the provinces of Al Muthanna and Maysan around the end of the year. A range of broader factors will impact on timescales for handing off responsibility for security of Basrah and Dhi Qar, including progress with the wider campaign in Iraq, and evolving US plans for their eventual disengagement. Work is underway to develop detailed plans for this operational transition in Iraq, which will be brought to Ministers after consideration by the Chiefs of Staff.

15. We assess that further programmes of minor infrastructure repair and other small-scale economic and social projects and a further programme of equipment supply will be key to delivering the strategy of transfer of responsibility and orderly disengagement. MOD, PJHQ and MND(SE) have been working closely together to develop plans and programme proposals for the current financial year. These plans take account of what we have been able to glean of US planning and what we know of DFID and FCO plans.

16. In outline, we judge that a further £58M will be required for FY 05/06 for these programmes; the breakdown is set out below. This level of expenditure needs to be judged against the £930M that the MOD forecasts we will spend on sustaining military operations in Iraq during Financial Year 05/06.

CIVIL EFFECTS FUND

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17. MND(SE) have made a bid for £20M for FY 05/06 for a 'Civil Effects Fund', which would replace QIPS. The aim of this expenditure would be to underpin consent for UK forces in MND(SE) by contributing to the development of essential services; supporting the development of civil institutions; supporting low-level economic development; and helping to provide a framework for reconstruction. Detailed plans are being developed for each of the provinces. This expenditure would be at a higher level than the past two years because far less CERPS money than before will be available to MND(SE) in the current year.

OSIRIS II

18. MND(SE) have made a bid for £38M for FY 05/06 to build on the success of the original OSIRIS programme. Their proposals focus on four areas in the year ahead: further protected and other mobility (which will account for the bulk of the funding required); the construction of essential infrastructure for ISF basing and training facilities; effective communications; better logistics; and the establishment of robust command and control functions for the Army and Police in particular. Detailed plans support these headline figures.

19. HMT have taken a close interest in both QIPS and OSIRIS expenditure. Negotiations on the third tranche of QIPS were protracted. In accordance with Government Accounting, we have had to lay minutes before Parliament for each tranche of the OSIRIS equipment gifting and have had to clear each of these with HMT.

20. HMT are understandably keen to ensure that there is no duplication between our plans and those of DFID and the FCO. At MND(SE) level, planning is now well joined-up. We will be working with MOD in the weeks ahead to ensure that there is neither overlap nor gaps between MOD, DFID and FCO plans this year. A senior HMT official visited MND(SE) last month with ACDS(RP) and was briefed on the detail of our plans.

21. We expect to complete these discussions during the course of the month ahead. In the meantime, MOD has reached agreement at working level with HMT that we can continue to commit QIPS expenditure beyond the £30M already approved, with the caveat that this does not exceed a further £3M before the wider package is agreed.

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