

Submission to ministers

Reference Iraq/GCPP

From:

Tel:

Date: 13 March 2007

CC: PS / PUSS
PS / Suma Chakrabarti
Sue Owen
Jim Drummond

To: 1.
2. Martin Dinham
3. Minouche Shafik
4. Private Secretary

, Baghdad
Richard Jones, Basra
Basra
Daniel Korski, PRT
PCRU
Nigel Casey, FCO
DFID Iraq Team
Special Advisers

IRAQ: FUTURE OF DFID'S PRESENCE AND PROGRAMME IN BASRA

Issue

1. How should DFID position itself in southern Iraq in the wake of uncertainty about the speed of transition to Provincial Iraqi Control (PIC) in Basra, slippage in our infrastructure programme, and the revised "Better Basra" plan?

Recommendation

2. I recommend that the Secretary of State endorse a strategy for southern Iraq (also set out below) in which we aim to:
 - complete our direct delivery of infrastructure projects
 - help to stand up provincial authorities in Basra in the medium term, and
 - shift our focus to building the capacity of central government in the longer term.
3. As part of this, I further recommend that the Secretary of State agree to extend the Governorates Capacity Building Programme until 31 December 2007 and increase the total project allocation (including security costs) to £25m
4. This has been discussed with Jim Drummond and Richard Teuten, as well as FCO colleagues and the new Consul General in Basra. All are happy with this plan.

DECLASSIFIED  International
Development

DOCUMENT ATTRIBUTES SECTION: DO NOT MODIFY TEXT BELOW

DOCUMENT ATTRIBUTES SECTION: DO NOT MODIFY TEXT ABOVE

DECLASSIFIED

DECLASSIFIED

Press and Parliamentary Handling

5. The Prime Minister's recent statement on UK re-posturing and transition in Basra sets the broader political context, the successes thus far, the remaining challenges, and our plans to tackle them.
6. DFID's contribution on economic governance (delivered through our GCBP team working in the PRT) is a key element of the UK's effort. We will ensure that our briefing, press lines, and UK announcements include appropriate language.

Timing

7. Routine. However, the present GCBP contract is due to end on March 31 and we will need to move quickly to secure key personnel.

Information (not for proactive disclosure)

8. Ministers have previously agreed that DFID's programme in Iraq should, over the medium term, focus on building the capacity of central government institutions in Baghdad. HMG colleagues, including in Number 10, have accepted that this is where we can add the most value and that the key development priority is to build the capacity of the Iraqis to spend their own resources more effectively.
9. We are now approaching the final phases of the UK's engagement in southern Iraq and our transition from Basra. On 21st February, the Prime Minister announced the first reductions of UK troops and gradual transfer of control to Iraqi authorities. In-theatre, officials have refreshed the Better Basra plan (Flag A), to streamline and integrate military and civilian plans. It provides the blueprint for achieving Provincial Iraqi Control later this summer.
10. In concert with this, we are also in the process of concluding our direct Infrastructure work under our Iraq Infrastructure Services Programme. To date this has improved the water supply to 500,000 people in Basra and added or secured 220MW – enough to provide around 450,000 people with 24 hour electricity. By the end of the project we will have improved access to water for over one million people and added or secured almost 330 MW – enough to provide 600,000 people with 24 hour power. As now, this work will continue to be overseen by the DFID staff member in Basra. Our planned timetable for concluding our IISP work is as follows:

IISP Project	Expected End Date
Reverse Osmosis Unit	April 2007
Pump Station 2	April 2007
Khor Az Zubayr Turbine Blades	July 2007
Basra Water Towers	October 2007

Putting the Iraqis in the lead

11. In parallel to completing our four remaining DFID funded infrastructure projects, DFID's aim over the coming months is to build the capacity of Iraqi officials in

DECLASSIFIED

DECLASSIFIED

Basra to the point where they can convincingly lead on their own reconstruction and development programmes. We have recently made significant progress. Over the past two years, we have helped the Basra Provincial Council develop a credible plan for reconstruction and development in Basra.

12. Last month, a delegation of Provincial Officials travelled to Baghdad for the first Basra Development Forum. There Deputy PM Barham Salih pledged central government funding for major investments provided Basra could demonstrate progress. The Provincial Council has since let more than 300 contracts for priority projects worth more than \$250m.
13. Our approach mirrors that of the UK military's efforts to hand over control for security to the Iraqis. We have moved away from direct delivery of projects to supporting the Iraqis to take the lead. The challenge now is to help them spend their funds effectively, account for them, and communicate their successes to citizens in Basra. This should enhance the government's legitimacy and accountability, and support our transition from Basra.

Management

14. The Provincial Reconstruction Team is the UK's vehicle for delivering all civilian (i.e. non-military, non-policing) elements the Better Basra plan. Tim Foy and Daniel Korski (both temporary Team Leaders seconded from DFID/PCRU) have reconfigured its work plan to support transition in Basra. It will now focus on:
 - Economic development: short-term efforts to boost the private sector, especially ending a Kuwaiti ban on agricultural imports and setting up a Fund to help small and medium enterprises access credit.
 - Governance: as described above in paras 8-10
 - Infrastructure: advising MND(SE) and helping unlock Japanese loans
 - Rule of law: supporting the Consulate's work on judicial reform, prisons, and policing
 - Communications: building the capacity of the Provincial Council to communicate more effectively what they are doing on reconstruction and development in Basra.
15. The PRT has been fully integrated into the Consulate. From 1 April, the FCO's Deputy Consul will 'double hat' as the PRT Team Leader. This should help bring the PRT more firmly under the Consulate's jurisdiction and ensure better coordination between civilian and military elements. This will be further strengthened by the consolidation of all UK elements at the Air Station, in particular the relocation of the Consulate from Basra Palace to Basra Air Station, which should be concluded by end March. This process has already begun as the new hardened accommodation becomes available and is proving its worth. Coordination and communication with MND(SE) is much improved.

Resources

16. Delivering the final phase of our work in southern Iraq will require an extension to the Governorates Capacity Building Programme to the 31 December 2007 and an increase in the overall project allocation from £20.5m to £25m.

DECLASSIFIED

DECLASSIFIED

Governorates Capacity Building Programme

Item	Original (£)	Extension (£)	Total (£)
Technical Assistance	7,300,000	0	7,300,000
Governorates Development Fund	1,500,000	500,000	2,000,000
Life support costs	11,700,000	4,000,000	15,700,000
Total	20,500,000	4,500,000	25,000,000

17. The majority of the additional £4.5 million is needed for life support costs. We will require a £500,000 increase in the Governorates Development Fund to allow for regional workshops and other supporting activities. At present, we do not require any additional funds for consultancy costs as there are sufficient funds available in the existing budget line.
18. We judge that allocating an additional £4.5m to embed the gains we have made thus far represents good value for money. This is affordable within the current Iraq 2007/08 framework of £30m, and will leave sufficient resources available to allow us to extend our capacity building work in Baghdad as the drawdown in Basra continues. This additional £4.5 million will represent DFID's contribution to the 2007/8 'Better Basra' plan enabling us to keep hold of the management and fiduciary responsibility for those elements of the plan in which we have a direct interest and investment.

Staffing

19. In line with this strategy, we are gradually reducing our engagement in southern Iraq. The table below sets out the overall DFID (MENAD and PCRU funded) staff and consultants in Basra. It is clear from this that our headcount is declining – from 18 a year ago to 13 today, including PCRU. The GCBP team currently has six full-time positions (down from eight). Our intention is to reduce this overall number to eight in the next few months as IISP concludes and as PCRU staff withdraw. A few of these posts will be filled different experts making short-term inputs where necessary, however we will not exceed the maximum headcount of eight. It is important to do this to maintain enough flexibility for the Consulate to manage staff according to security, accommodation, and demand.

Staff and consultant posts (both MENAD + PCRU) in southern Iraq for which DFID is accountable

March 2006	No	March 2007	No	July 2007	No
GCBP	8	GCBP	6	GCBP	6
IISP	7	IISP	3	IISP	1
DFID core	3	DFID core	1	DFID core	1
PCRU	0	PCRU	3	PCRU	0
Total	18	Total	13		8

20. DFID staff presence has been further reduced to one full time member of staff – a First Secretary (Development) based at the Basra Air Station as part of the Consulate / PRT's staff, with key responsibility for UK economic and infrastructure work streams. They will be responsible for seeing the Iraq Infrastructure Services Programme through to completion (para 8 above).

DECLASSIFIED

DECLASSIFIED

Additional support to the PRT (through PCRU)

21. PCRU currently provides three PRT positions, for which DFID is accountable. All three will shortly be coming under FCO auspices:
- PRT Team Leader: this will be merged with the (FCO) post of Deputy Consul General from 1 April.
 - PRT office manager and IT manager: FCO staff will take on these duties no later than 30 June. An extension of 3 months funded from Better Basra money channelled through the GCPP is thus required.
22. If PCRU were requested to provide additional short-term assistance (very much in the Kabul Strategic Delivery Unit mould), then this is likely to be resourced from within the PCRU. If essential ad hoc consultancy inputs were required, they would be funded through the Better Basra money, with DFID accountable as the contract holders. The need for short-term inputs will become apparent soon.

Staff Security and risks

23. At this moment the Air Station receives fewer, less accurate rocket attacks but this is expected to change, once Basra Palace is handed over in the late summer and the Air Station becomes a central UK hub. To mitigate these risks, MOD is developing and installing a complex, layered security 'envelope' that spans active patrolling on the ground to significant satellite coverage of the site and various weapon systems in between. The security of staff (including consultants) will be kept under review and all deployments in Iraq remain contingent on them being able to operate (a) safely, and (b) effectively. A full risk analysis is at Annex A.

Advice

24. This strategy meets our key goals of minimising the exposure of DFID staff and consultants in southern Iraq, focusing them on strengthening Iraqi capacity and lead, ensuring proper financial oversight and protecting the substantial investment DFID has made thus far, and playing a constructive cross-Whitehall role.
25. Therefore, I recommend that the Secretary of State agrees to the above strategy. I further recommend that the Secretary of State agrees to extend the Governorates Capacity Building Programme until 31 December 2007 and to increase the project allocation by £4.5m to £25 million.

Iraq Programme Manager

DECLASSIFIED

DECLASSIFIED

Annex A

RISK ANALYSIS

Risk	Probability	Impact	Mitigation
Security at Basra Air Station deteriorates forcing civilian withdrawal	Medium to Low	High	The Air Station is considered a lower-risk site than the Basra Palace Compound. IDF attacks are less effective as the area is much bigger. All civilian accommodation will be hardened. MND(SE) is stepping up anti-IDF measures.
Non-cooperation from the Provincial Council	Medium	High	Relations with the Provincial Council have steadily improved since the end of the boycott in summer 2006, though we should expect relations to remain turbulent. For the most part, officials will maintain contact at desk-level even if a high-level political boycott is in place.
Fiduciary risk becomes unmanageable	Low	High	Fiduciary risk is currently very low given that most of our support is technical assistance. The Governance Development Fund projects are small and mainly consist of workshops outside Iraq which are easy to account for. This is unlikely to change. All funds are subject to an external audit before DFID charges them off.
Staff burnout and poor quality of staff	Low	High	All consultants are on 6 week rotations. In addition, we are using more short-term inputs. This reduces stress and over exposure whilst not losing continuity. It also means we can recruit and retain quality personnel.
New work imposed from the US National Coordination Team	Low	Medium	Apart from overall structures, to date the US has not imposed its own work plan on the PRT. We will continue to invest in building a strong relationship with the NCT to mitigate this risk.

DECLASSIFIED

