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From: [mailto:]

Sent: Wednesday, April 09, 2008 4:12 PM

To:

Cc: Jonny Baxter;

Subject: Basra

Basra - Conf; Kathleen Richmond

This is the what we know from the Baghdad end in answer to your questions - I expect that Basra will have more to add, especially about conditions on the ground. I should also stress that this is all based on perceptions in Baghdad of what is happening - the ground reality may be different!

What do we know so far of US plans on the economic front, including rapid impact and medium term efforts?

There are 2 strands of 'increased effort' being planned in Basra, one by the US, and one by the Gol. The US effort is split into at least 2 parts (the military and USAID), which do not appear to be closely coordinated. As a result of these splits (and the preliminary nature of what plans there are) it is still not clear what we are dealing with other than an increased US focus (and huge numbers of staff milling around COB) and a Iraqi desire to visibly spend in Basra.

The military are the driving force behind the US effort. According to an officer in MNF-I charged with devising employment schemes for Basra, the focus is likely to be quick impact and mass employment schemes. The ideas are very short term and not based on an assessment of need in Basra. They included: Date Palm spraying, cash grants, build and refurb swimming pools and parks, evening literacy courses at schools, micro loans, 'Sons of Basrah' scheme to provide 10,000 with 1 day training as a security guard and then 90 days contract followed by transfer of some to security forces; road repair and construction, Dock workers at UQ. He is unaware of how the \$100m will be delivered locally, how Safa Al-Safi is working and who sits on the committees. He did not know anything of Gol plans and who was coordinating effort at the Baghdad end. He was keen to have UK input into employment ideas and saw the PRT as crucial. We provided info on PRT work and existing schemes in Basra (e.g. CHF micro-credit) to avoid their duplicating them. We strongly suggested an employment needs assessment as a crucial first step.

USAID are not planning on releasing any extra funds for work in Basra, but they are currently considering what they could do to increase their effort there (essentially through speeding up or re-starting existing programmes rather than beginning new initiatives). According to Chris Cowley (USAID Head of Mission) they are considering increasing the governance work they are already doing, and re-starting the Community Stabilization Programme (CSP). The CSP has been running for a number of years, and has evolved into a nation-wide vocational training and job creation scheme, that USAID had suspended in Basra due to the security situation.

The Council of Ministers agreed on the 8th April to provide \$100m of Gol money for economic work in Basra, but it is not yet clear what this will be used for. We understand that Minister of Justice Safa al Safi has been nominated to take this forward. He is now in Basra and has set up a number of committees, one of which will manage the \$100m. The US seem to be focusing on their own efforts rather than this Iraqi funding - US contacts have told us they are unsure who to talk to in the central government to find out more. It is not clear who will coordinate from this end, although it is likely to be DPMO. We have a meeting arranged to discuss with them.

There is a risk that the political differences between the key Iraqi stakeholders (central government, the Governor, and the Provincial Council) will lead the US to bypass the provincial government, and operate either directly or through the central government. A key point of our lobbying to date of the US system has been the need to engage with local government and the DFID-supported PRT in order to avoid setting up parallel systems and losing the benefits of their local knowledge, networks, and work done to date.

- Will they be able to do anything which we haven't already tried? What impact do we think their efforts will have?

Given the level of resources and influence that they have in Iraq the US would be able to do things that we haven't tried in that they can:

- a) dedicate more people and money to the task. For example they could 'man mark' activities and Iraqi counterparts as they do in Baghdad
- b) change the security environment, allowing civilians to get more access to Basra and to the provincial authorities
- c) operate in a way that ignores provincial and possibly even national systems, which might allow things to be done in a way that appears faster and easier, but which to our mind would risk all sorts of problems of ownership and sustainability.
- d) bring in better linkages to their national and Baghdad level work
- e) apply sufficient clout at the Baghdad end to direct central Gol attention - MG Zamzow and MG Berger have been tasked to clear blockages in Baghdad to implementing the \$100m.

However, any job creation programmes that the US run in Basra are likely to face the same problems that led to the suspension of the CSP programme there. USAID staff were not (and are still not) able to leave the airport, so they relied entirely on Iraqi partner organisations to monitor whether work was done and funds properly distributed. They found this to be so ineffective that the programme was suspended. This mirrors our own experience of running job creation schemes in Basra in the past. Presumably this constraint would not apply to schemes run directly by the US

military however.

More generally, job creation schemes such as CSP are unsustainable, since they tend to be very labour intensive (and therefore expensive), supply driven, and have in the past not had sufficient provision made for operating and maintaining assets that are created. Sustainability is unlikely to be a criteria for these efforts however, which are directed mostly at providing an alternative form of employment (however unsustainable) to the militias. Such schemes do risk generating further resentment however, when it becomes clear that the jobs created can only ever be short term, which could exacerbate tensions. They can also harm local businesses (which provide more sustainable jobs) by crowding them out of competing sectors (such as construction), and pushing up local wages and prices of inputs. The US military's initial response to reports (that later turned out to be untrue) of a humanitarian crisis in Basra was to order the delivery of 300,000 ration packs to the city - an action that could have seriously undermined fragile but recovering local food markets (USAID managed to stop this idea).

- What does the changed security situation (e.g. troops getting downtown) mean for their ability to deliver effect?

(Difficult for us to answer in Baghdad - can Basra complete? We understand that the military have written a paper that London has access to?)

- How will this effect our own work especially the Basra Economic initiatives and the BDC/Michael Wareing effort?

Any increased US effort carries risks and opportunities. On the positive side the increased momentum that US involvement will generate could help clear blockages to our programmes, or economic development in Basra more generally.

The key risk is that our programmes will get crowded out. They have been designed as Iraqi-led, and therefore require considerable involvement and energy from the local government for them to be successful. A large ramp-up of US work in Basra would demand considerable time from these same stakeholders, and our smaller, more long-term programmes risk being sidelined. The Basra Development Fund would seem to be particularly at risk from this, as US efforts are likely to include microlending of some kind (if not actual SME finance). This crowding-out could have a number of negative impacts:

- The US and Gol will move ahead with their ideas regardless of DFID consent or involvement and we risk our initiatives looking unresponsive to current events and in reality being increasingly irrelevant. As a result, it could become harder, if not impossible, to engage senior provincial and Gol officials on DFID programmes and implementation would be hampered. Provincial Council capacity is not currently able to deal with the scale of programmes being discussed and risks being overwhelmed and no longer able to deal with DFID programmes.
- This would be most damaging for our high visibility Basra Economic Initiatives, which could falter for lack of senior Gol engagement and, as a result, lose the interest of key drivers such as Michael Wareing - the Basra Development Commission co-chair.
- US and Gol could pursue a centralised approach and neither consult the provincial authorities in the design stage, nor implement through provincial structures. This is particularly likely in Basra given the difficult relationship between the Governor/PC and al-Maliki.
- Gol and the US want to implement activities which have an immediate effect 'on the ground', such as mass employment public works schemes. These programmes are not effective in the long term, and especially if they are not linked to longer term employment generation schemes and a political settlement. There may be increased pressure on DFID to be part of designing and implementing such programmes - both in terms of diverting staff from current programmes and increasing staff.

We cannot change the fact that there will be an increased US presence of some kind in Basra - our focus should be on trying to maximise the opportunities and manage the risks.

- How are we linking in with them?

The US have set up a Civil Military Operations Centre (CMOC) in Basra to coordinate the civilian and military efforts there, but this organisation is still setting up. This will be a key point for feeding in to US plans on the ground through the PRT. It is not yet clear what the formal relationship between the two will be, but there is clear evidence that the leaders of the CMOC are keen to work closely with the PRT. The PRT have set up an early meeting between CMOC and the Provincial Council to ensure that CMOC thinking is based on local systems and local realities. Suggestions from the PRT have already been filtering back to the US military in Baghdad.

We are also linking up with the people in Baghdad sending the orders down to the CMOC, to ensure a joined up approach there, as well as working closely with the Gol officials who are similarly providing guidance to the Gol.

Our advice can be both on content - experience of what has worked, but also on process and institutions, the how things can be done, from the planning stage to the delivery stage.

DFID Baghdad have contact with MNF-I STRAT EFFS leading on the generation of ideas for CMOC. Contact in MNF-I was clear that PRT would need to have involvement in any plans for Basra. We have also liaised with USAID and hope to meet with DPMO who may have some central coordinating role for the Gol initiative. At present it is not clear from the Baghdad end how Safa Al-Safi and his committees will coordinate with central or provincial structures.

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