

DECLASSIFIED

021/053

From: UND - Other
Sent: 11 September 2003 11:14
To: Stephen Pattison;

Joan Link;

Subject: FW: INFO: OO MODEV/IRAQR 1: IRAQ RECONSTRUCTION: CABINET DISCUSSION on 11 SEPTEMBER

CDSN: MDDPAN 0061
Classification: CONFIDENTIAL
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Message To: IRAQR
MessageFrom: MODEV

From: UND
Sent: Thursday, September 11, 2003 11:13:49 AM
To: UND - All Staff
Subject: FW: INFO: OO MODEV/IRAQR 1: IRAQ RECONSTRUCTION: CABINET DISCUSSION on 11 SEPTEMBER
Auto forwarded by a Rule

From: Swift Incoming Telegrams (Machine 1)
Sent: Thursday, September 11, 2003 11:13:49 AM
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CONFIDENTIAL
OO FCOLN
FM MODEV TO IRAQR
110957Z SEP
GRS 1305

CONFIDENTIAL
FM DFID LONDON
TO IMMEDIATE IRAQ REP
TELNO 1
OF 110957Z SEP 03
AND TO IMMEDIATE BASRA, FCO LONDON

For Jeremy Greenstock (Baghdad)
and Hilary Synott (Basra)

from Department for International Development, London

QUOTE ...

From the Secretary of State

The Rt Hon Tony Blair MP
Prime Minister

1
DECLASSIFIED

1223

10 September 2003

SUBJECT: IRAQ RECONSTRUCTION: CABINET DISCUSSION on 11 SEPTEMBER

Immediate operational priorities, and DFID action. Objectives for the Madrid Conference. Medium term agenda. Resource implications for 2004.

1. I will miss tomorrow's Cabinet (I am in Cancun for the WTO meeting) but wanted to set out some points for the discussion of Iraq reconstruction. The top priorities are clear: establishing security; rapidly improving essential services (water, fuel, power), and moving forward the political process. Notwithstanding the immediate action now underway in the South, there are no quick fixes: the politics of the war still colour debate in the Security Council and beyond; and the scale of the political, economic and social transition required in Iraq is enormous.

2. We should not lose sight of what we have helped achieve over the past five months, including the restoration of the public distribution system, containment of a cholera outbreak in the south, restarting of child vaccination campaigns, some significant improvements to regional electricity supply (though not enough), re-employment of 38,000 police, establishment of the Governing Council and Constitutional Committee, and appointment of Interim Ministers. But our overall approach has been predicated on CPA delivering more than it has, and we have had negligible influence on them, or the Pentagon, to try and turn it round. Immediate measures are now needed to maintain the Iraqi population's consent.

Immediate Operational Priorities and DFID action in hand

3. We have started the emergency infrastructure project in the South. This will help improve electricity, water and fuel supply. But it will not solve the underlying problems of Iraq's infrastructure needs: that will require billions of dollars and an Iraqi Government to determine policy. Systemic problems with CPA (US) procedures have continued to hold up the approval and handing over of promised CPA resources for the South. If CPA HQ and US Government fail to get its act together quickly, then we can only plug the gap if my reserve claim (now with Paul Boateng) is approved. We have now committed \$200 million: more than three times what we spent in Afghanistan after 11 September, and approaching our annual spend in India (population 1 billion and very much poorer).

4. We continue to support humanitarian activities through UN agencies, the ICRC and NGOs: they have the delivery expertise and they have achieved a great deal, for which we should rightly take some of the credit. We have offered additional support for security measures, and remain committed to doing all we can to make sure the UN in particular returns as close as possible to its pre-19 August capability quickly: this will be important for the Madrid Donors' conference and is crucial for service delivery.

Objectives for the Madrid Donors Conference

5. We want the Iraqis to be in the driving seat: Minister of Finance at the top table, and Iraqis leading on presentation of the draft 2004 Budget. We need the international community to endorse an Iraqi timetable and process for the political transition. This in turn will require the Coalition to give up some control to the Governing Council. We need to get the Americans planning for an exit strategy now. Jeremy Greenstock has suggested working towards

signifi... transfer of authority by next Spring. This seems right. Jeremy will discuss this with Bremer. You will need to sell it to Bush.

6. We need a credible outcome on pledges. This requires a credible draft budget, based on robust assumptions about oil production and revenue, spending priorities, and absorptive capacity. It could be counter-productive for the US to pitch in with \$20 billion, all tied to US contractors: they (and we) would be left to get on with it. We need to clear our lines collectively and then deploy them with EU colleagues, the US, Japan and the Gulf States. We need to get the Americans to put some of their funds through the Development Fund for Iraq, or the Trust Fund: in either case, untied and subject to international procurement procedures, not Pentagon or USAID ones.

7. Hilary Benn and Suma Chakrabarti will raise these issues with Bremer, Governing Council members and Interim Ministers during their forthcoming visit to Iraq (please protect for security reasons). Hilary will then exchange views with the UN and others in the margins of the General Assembly in New York, while Suma will have similar contacts in the World Bank/IMF Annual Meetings in Dubai.

Medium term agenda

8. While immediate measures are put in place and efforts to improve CPA effectiveness continue, we have begun thinking about the next stage in deploying our technical expertise to support Iraq's development in the medium-term, as part of what needs to be an international effort. Clearly this will need to build on HMG's efforts so far through the CPA, UN agencies and NGOs, and the UK military.

9. The priorities are self-evident: robust macro-economic policy planning and budget management; reform of the public service; encouragement of civil society; and facilitation of private investment. So are the key challenges: transforming a bureaucracy used to rule by diktat; replacing the high dependence on food rations with a needs-based social safety net; and building accountable security institutions.

10. As a first step, we need to engage now with the Iraqi Interim Ministers and look to provide direct support to them and to the Governing Council - bilaterally or through the UN - in order to help establish their executive credentials. Specific activities will be informed by the sectoral assessments now being completed by the World Bank, IMF and UN agencies, and will have a multi-year timescale. It is important that UK short-term actions (on the Civil Defence Corps, police training, media) are designed with a view to developing systems that will enable the Iraqis to take charge as soon as possible -- and with running costs included in the budget.

11. But we should not mislead ourselves about how much we can hope to achieve bilaterally. Despite all our efforts, the UK's influence on CPA economic and development policy making has so far been very limited. Whatever resources we bring to bear, they are going to be a fraction of what will be needed. And there is bound to be some resistance on the part of the Iraqis to one of the Occupying Powers offering advice on how to structure the government machine.

Resource implications for 2004 and beyond

12. We need to see the detailed assumptions of the draft budget, and the findings of the needs assessment. The numbers presently being talked about (\$15-20 billion) beg lots of questions. But it is clear that there will be a large external financing need for Iraq

for 2001. And it is equally clear that the UK, as a leading member of the coalition, will be expected to play a substantive part in filling that gap. The scale of the UK's possible contribution is well beyond what I could find within my existing budget for next year - and the Government has made a public commitment not to deflect spending away from other developmental priorities to Iraq. There will also be a continuing UK military commitment, and cost.

13. I am copying this to Jack Straw, Geoff Hoon, Gordon Brown, Patricia Hewitt, David Blunkett, Paul Boateng, Lord Goldsmith, 'C', Jeremy Greenstock, Hilary Synnott, David Manning, Sir Nigel Sheinwald and Sir Emyr Jones Parry.

VALERIE AMOS
(Agreed by the Secretary of State
and signed in her absence)

UNQUOTE

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MAIN	13	
IRAQ/KUWAIT		13
IRAQ POLICY UNIT		0
CONSULAR D		0
PROTOCOL D//PALACE		0
PS MR RAMMELL		0

ADDITIONAL 1

.IRAQ/KUWAIT		0
.(IRA)		0
ATT GEN//C ADAMS		1
BANKE		0
BTI1		0
BTI2		0
CAOFF1		0
CAOFF2		0
DFID1		0
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