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Reference

FROM: Martin Dinham  
Ext:

DATE: 21 March 2005

CC: Private Secretary  
PS/PUSS  
MBPO  
Liz Davis  
EMAD Heads

[for London Iraq team]

Lindy Cameron [for teams in Iraq]  
Tom Scholar UKDEL W'ton  
Rain Newton-Smith UKDEL  
UKMIS New York

Dominic Asquith, FCO  
Nigel Sheinwald (No 10)  
David Quarrey (No 10)  
Margaret Aldred (Cabinet Office)

Edward Chaplin, Baghdad  
Stuart Innes, Basra  
Rob Fry, MOD  
Martin Howard MOD  
Roger Cornish MOD [please  
pass to MOD in Iraq: thks]

*Nigel*  
*Interesting report, worth*  
*glancing at. A couple of*  
*encouraging points, but*  
*also concerns especially on*  
*DFID funding and the*  
*international conference (see my*  
*question at para 17) share*  
*about the provincial funding idea.*

*DF*

*22/3*

*Thanks.*

*M*

*22/iii*

To: Minouche Shafik

## VISIT TO IRAQ

### Summary

DFID's programme a balance of capacity building and visible, quick impact reconstruction activity, particularly in south. Accelerated progress on both fronts helped by excellent collaboration on ground with FCO and MOD. Budget constraints in 2005/6 will require careful financial management and the pursuit of co-financing from other donors. Good donor coordination under way in south, behind Iraqi lead with DFID secretariat support. In the centre, a government in transition, plus absence on key donors (UN, World Bank, EC), amongst factors hampering coordination, although more positive movements in sight on UN and EC presence (and possibly World Bank's). Sketchy awareness by local donors (including US and UN) of purpose and details of proposed International Conference on Iraq. They welcome Conference's aim of raising international community involvement; but worry about timing; credibility of genuine Iraqi lead at Conference; and the need to dovetail the event with forthcoming Amman Conference on Trust Funds. Issues for urgent Whitehall decisions. Good adherence to

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security requirements by DFID teams, who are doing a professional and rewarding job in constrained circumstances.

## Detail

2. Michael Anderson (Head, Middle East and North Africa Department) and I visited Iraq from 14 to 19 March. This was our first visit. The main purpose was to have discussions with our teams and other parts of the UK effort in Baghdad and Basra; to review progress on DFID's programmes; to exchange views with other donors represented on the ground particularly on the question of improved donor coordination. As the new Iraqi government was still in the process of being formed while we were visiting, we deliberately did not seek to engage directly with senior Iraqis in Baghdad on this occasion, although much of our discussions with others naturally focused on how we would engage with the new Government once it was in place. The DFID teams in Iraq, helped with logistic support from the London team, put on an excellent itinerary and programme for us, the smoothness of which belied the work that went into it. Our warm thanks to them, & for their hospitality too.

3. Michael will be reporting separately on specific management and operational aspects of our programme which need following up. This minute will focus on the broader picture which may be of greater interest to the wider audience to whom this minute is copied.

## DFID's programme

4. We were impressed by what the DFID teams in Baghdad and Basra have been able to achieve despite the self-evident constraints on access and movement caused by the security situation. We have sought to find a balance in our programme between longer-term capacity building and short-term and visible impact on infrastructure and services benefiting ordinary people on the ground. We have been making progress on both.

5. On **capacity building**, we talked in Baghdad to the Maxwell Stamp and Adam Smith International teams who have been strengthening the Ministry of Finance and the various parts of the centre of government machinery. **Feedback on their performance from Iraq interlocutors, and from the World Bank, the IMF and other donors, has been very positive.**

6. In the south, our capacity building programme in four Governorates is now getting under way. We are placing **three advisers in each of the Governorates** to strengthen their administrative and financial capacity. Under the programme, each Governorate will have funds available to allocate to productive activities under the supervisions of our teams. But what was clear was that our **earlier hopes that we would be able to supplement these funds quickly with more substantial resources from other sources such as the World Bank or the US were premature.** The consultancy team in the south made it clear that the weakness of the administrative structures in the provinces, and the complete absence to date of any devolved systems for finance or decision making, meant that it would be some time (and at a minimum not in 2005) before the provincial administrations were developed enough

not always  
the healthy  
view!

Disappointing  
One of the  
few new  
ideas on the  
table

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themselves to absorb and account for additional donor funds earmarked for services and other activities on the ground.

7. Our own focus on **quick-impact activities** in the south is making good progress. The Secretary of State has approved the £40m programme for infrastructure (75% power, 25% water and fuel). We will have people on the ground next month, and the programme should be fully disbursed within 12 – 14 months. Our programme on employment generation is continuing and has so far created some 1.7 million work-days. This has led to some visible improvements in the shape of road cleaning, minor reconstruction works, park rehabilitation, sewage clearing and so on – all much appreciated by the Deputy Governor of Basra whom we met. We discussed with

J9 in MND (SE), potential uses for the additional \$10m recently approved by the Secretary of State for quick impact power projects, to be agreed jointly by DFID/MOD experts on the ground. We agreed that the key criterion for selecting these projects was that they should be in place and delivering power before the height of the coming summer. This was a tight deadline but Colonel Shepherd thought it could be met. Point power generators would be included if they met this criterion.

key point for  
2. today's meeting.  
We need US  
to run similar  
prog.

8. One side effect of the good progress we are making on pushing ahead with our various commitments is that our Iraq budget allocation for 2005/6 is under extreme pressure. If activities to which we are already committed plus extensions of existing high priority capacity building programmes proceed at the current pace, we will exceed our existing budget ceiling, without any new proposals already in the pipeline being taken into account. The need to cut back our budget in 2004/5 to help meet internal DFID financial pressures related to the estimating adjustment; plus the MIC ceiling constraint in 2005/6; plus escalating costs relating to security (eg our escalating share of the SLA agreement with the FCO and the costs of helicopter trips to and from Baghdad airport until the airport road is safe) have all contributed to the pressures. We will seek to deal this by a variety of careful financial management techniques, coupled with an active search for co-financing of some of our existing activities with partners such as the Bank and the EC; but it means that the scope for new activity in 2005/6 is nil and we will have to delay until 2006/7 some of the proposals in the pipeline with which we hoped to proceed in 2005/6.

This is  
worrying -  
we need to  
have some  
flexibility in  
OS/BB, including  
to support IT  
ideas / priorities

## Relations with FCO and MOD

9. I was pleased but not surprised to note that our relations with both the FCO and the MOD on the ground in Iraq were excellent. DFID cannot be effective in its work without the active support from both, which has been amply forthcoming. I thanked Edward Chaplin and Stuart Innes (the new Consul General in Basra) for the support and advice they have been providing to our teams.

10. I also made a point of asking General Kiszely in Baghdad and General Riley in Basra if they had any problems with DFID's programmes or performance on the ground, given the occasional complaints that seemed to filter through at the London end. Both said that on the contrary that they were

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entirely happy, and welcomed the level of consultation that existed. General Kiszely was particularly grateful for the support DFID had provided for the Fallujah exercise; and welcomed our response to reconstruction needs in the south. He apologised that over-zealous officers on tour in Iraq occasionally bent the ears of senior visitors for DFID funding in support of their particular areas of interest, without understanding the wider context in which both DFID and MOD had to operate. I said that DFID's attendance at Chiefs' meetings, and the recently introduced meetings between Roger Cornish (MOD Director, Iraq) and DFID's Iraq team, were helping a great deal to ensure a good understanding between Departments at the London end.

## Other donors and the International Conference

11. We had useful meetings with the new deputy UN Representative, Paolo Lembo; with Bill Taylor the Head of IRMO and of the US reconstruction effort in Iraq; with Anne Derse in the US Embassy; with Lars Jensen the Danida secondee in the US Projects and Contracts Office (PCO); with John Cummings, the DFID-funded liaison representative for the World Bank in Baghdad; and with Danida and US donor representatives in Basra. (Michael and I also had a V/C meeting with the Bank in Washington on the eve of our departure for Iraq). Common themes in all these discussions were how to improve donor coordination; the role of the proposed International Conference; and its relationship with the next Amman Conference to review progress on the UN/World Bank trust funds and related reconstruction activity.

12. On **donor coordination**, there was general recognition of the progress being made in the south, with the instituting of regular Southern Iraq Coordination meetings under Iraqi chairmanship, with DFID playing the secretariat role. These were attended by all the main donor players in the south, including the UN (Paolo Lembo has committed himself to participating in future meetings). Although relations between donors in Baghdad has been generally good, effective coordination and harmonisation have been limited by the absence on the ground of key players who would usually contribute to or take on this role (notably the World Bank, the UN and the EC); by the lack of a strong Iraqi lead; and by the relatively slow progress of the two main devices for coordinating activity: the World Bank and UN Trust Funds.

13. All were agreed that a strong coordinating lead by the new Iraqi Government was essential and that the appointment of a senior figure, ideally a Deputy Prime Minister, with overarching responsibility for all Ministries engaged in the reconstruction and development effort, would be an important part of that. Progress was being made on the question of the presence of key donors in country. For the UN, Paolo Lembo (who is highly experienced in conflict environments and generally very good news) was particularly encouraging on this score, committing the UN to a gradual stepping up of its presence in country, including in Basra; to a shift of emphasis from Amman to Baghdad in the UN's centre of operations; and to continuing faster delivery of activity under its Trust Fund. The EC is committed to setting up an office in Baghdad soon, although the details and date for this are still unclear. The World Bank have agreed to undertake an in-country review of whether they

A development  
Valenzuela?

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should re-establish their presence in Baghdad. We have offered to help with the logistics of this. The Bank are very sensitive that this should remain a low profile exercise; to ensure expectations are contained in case the outcome of the review is that they do not return at this time. **Grateful if copy recipients could therefore please protect this information.** We are also in mid-negotiation with the Bank over their co-financing of our new infrastructure programme in the south; it looks likely that they will contribute some \$15m of the Trust Fund money to this.

14. We briefed the UN, US and World Bank on the latest thinking on the International Conference. Interestingly there was only very sketchy understanding of what the Conference was intended to achieve on the part of all our interlocutors; including Bill Taylor, Paolo Lembo and the World Bank team, even though most had heard about it. We underlined the objectives of attracting a wider participation in Iraq by the international community; building on the post-election momentum; and engendering more focused donor coordination: these were all welcomed.

15. But real concerns were expressed too. Given the time it was taking to establish a new Iraqi Government, how would it be possible to organise this Conference by the end of May, given the overriding requirement for an Iraqi lead (+ Iraqi co-chairmanship)? The challenge was particularly acute given the need for an Iraqi reconstruction and development plan for the international community to rally around; and at a time when the Government's attention would be focused on internal political and constitutional issues. How would the Conference be able to straddle the twin political and reconstruction objectives sensibly, if the participants were to be political representatives in the shape of Foreign Ministers? How would the Conference dovetail with the Amman Reconstruction/Trust Fund Conference, which would focus on urgent practical details and could not be postponed beyond June at the latest? (We strongly agreed with the latter point given the urgent need to push for accelerated activity on both Trust Funds). Finally, there was a perceived danger that a premature or poorly-prepared conference would distract the Iraq Government from important tasks while failing to produce any real advance in reconstruction on the ground.

16. Two models were discussed to try to deal with these concerns. Bill Taylor floated the model of the Berlin Conference on Afghanistan in 2003, which had very similar joint aims – political profile raising plus movement on reconstruction – as the proposed International Conference on Iraq. The Berlin model involved a two day conference, the first attended by Foreign Ministers (Jack Straw and Colin Powell were there), the second attended by Finance or Development Ministers (Hilary Benn attended for the UK), enabling both agendas to be taken forward at the same event. If we followed this model, the reconstruction and development day could pass on a remit to the Amman Conference the following month to follow up more detailed programme and coordination issues on the reconstruction agenda at official level.

17. An alternative model, favoured by Paolo Lembo and the Bank, was that the International Conference should be primarily a political event involving Foreign Ministers, and should pass a general remit to the Amman

*I'm not sure this would leave the international conference with enough worthwhile to do - it needs a clear objective, and the political significance*

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Conference to take forward the reconstruction agenda. In either case, there was general agreement that a) clarity about the co-chair for the conference, its timing and location was needed immediately; and b) a lot of work would be needed by the Iraqis and the Conference co-chair to prepare the ground for the Conference, perhaps along the lines of the preparatory meetings and documentation for the recent London Conference on Palestine. [Comment: Although we would not be co-chairing, HMG could perhaps offer to second someone to help with this process if that would be welcomed. An issue for urgent discussion at the next Whitehall Senior Officials meeting on Iraq?]

Good  
idea

18. A further issue discussed was whether and if so how the International Conference could encourage a wider spread of responsibility across donors for different areas of reconstruction activity. There was a general welcome for getting more donors engaged; but equally an agreement that allocating a sector to an individual lead donor would not work. This approach had been flawed in the Afghanistan context, either leading to important sectors being left in the hands of smaller donors who could not cope (the Italians and the justice sector for example); or to other donors assuming that the lead donor could cope alone and therefore being unwilling to offer their support (which the UK experienced in the counter narcotics sector). A better approach would be a) to make clear that the Iraqis had to be clearly in the lead in each area and needed to identify a key Minister or senior representative to lead the donor effort; and then b) to identify a donor to support the Iraqis in coordinating assistance from the international community and from other parts of the Iraqi Government, in that particular area. Agreement to this approach would be an important and useful outcome to the International Conference.

**Action: early Whitehall discussion needed of how to follow up these issues on the Conference before the next US/UK VTC scheduled for 31 March [MD to raise with FCO/Cabinet Office]**

## Living conditions and security issues in Iraq

19. We were glad to see the seriousness with which our teams in Baghdad and Basra, under Lindy Cameron's overall leadership and Dominic D'Angelo's in Basra, are taking the security situation in both locations. Adherence to security regulations, including the wearing of body armour and the use of armoured vehicles wherever prescribed, the correct use of satellite phones and radio communications, and the absence of any cavalier attitudes, seemed exemplary. The performance of our personal security group, CRG, was highly professional.

18. Life in Iraq can be tough and challenging for our teams – with some of the most draining aspects being the limitations, particularly in Baghdad, on moving out of hard-cover accommodation, and the time that can be spent in moving from a to b, with long waits for secure transport between eg Kuwait, Basra and Baghdad. There are also regular reminders of the security threat: during our visit a nearby mortar attack in Baghdad interrupted a teleconference we were having with Basra, while we waited in a secure area

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for the attack to subside. However, there is a comprehensive risk management strategy to deal with these risks; and our teams emphasised that the jobs were rewarding as well as challenging, providing a wide range of experience and responsibility in the focused period of each assignment. The morale of our teams, both DFID and consultants alike, is as strong as I have seen anywhere in the organisation. Michael and I told them all of the admiration and respect in which they are held by all their colleagues in HQ for the job they are doing.

Martin Dinham  
Director, Europe, Middle East and Americas Division  
DFID

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