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DFID

Department for
International
Development

1 Palace Street, London SW1E 5HE

Telephone: ()
E-mail: f

From the Principal Private Secretary

Matthew Rycroft Esq
Private Secretary
10 Downing Street
London SW1A 2AA

2 May 2003

Dear Matthew

IRAQ: REHABILITATION

Interim DFID strategy. Planned placements into ORHA.

In my letter of 23 April, I reported that DFID was assessing the key tasks relating to relief and recovery, and the best means for pursuing these. This process has drawn on the conclusions of the Ad Hoc Ministerial Group, discussions across Whitehall, the DFID visit report circulated previously, further contacts with DFID staff in the field, informal consultations with the World Bank, IMF, UNDP and ICRC, and an initial read-out from Dominick Chilcott's mission.

The attached paper sets out DFID's interim strategy for the next 3-6 months. It covers tasks that principally fall to DFID, but clearly with strong inter-linkages to the diplomatic and military engagement in Iraq. The development priorities in the short and medium term are clear: getting public services running again; re-establishing law and order; ensuring the needs of the vulnerable are met; and restoring public infrastructure. To pursue these key tasks, we propose placing an additional eight people into ORHA in Baghdad to work on **coordination** with the UN, International Financial Institutions and NGOs; **emergency supplies**; **civil administration** (salaries, public infrastructure, public distribution system); **law and order** (in conjunction with MOD/DAT); and **infrastructure** (fuel and power supplies, water and sanitation). This DFID Liaison Team would also monitor our bilateral portfolio with UN agencies, Red Cross and NGOs, and link this into ORHA.

We also envisage providing additional staff to Basra, as part of HMG's support for a Fourth ORHA Region in the South. We will discuss specific placements and terms of reference with ORHA and 1 Division in the next day or so, with a view to beginning deployments from next week.

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I am copying this letter to Simon McDonald (FCO), Peter Watkins (MOD), Mark Bowman (HMT), Erica Zimmer (DTI), Carolyn Bartlett (Attorney-General's Office), and Sir Andrew Turnbull, Desmond Bowen and Jim Drummond (Cabinet Office).

Yours
Anna.

Anna Bewes
Principal Private Secretary

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IRAQ: INTERIM DFID STRATEGY

Introduction

1. This paper sets out a draft DFID interim strategy for Iraq for the next 3-6 months in terms of the transition from relief/recovery to reconstruction. The situation on the ground is evolving quickly. We may therefore need to review our approach over the coming months. A broader country assistance plan to cover the next 12 months, with a view to graduation over 5 years or so, will be prepared by October 2003.

2. This paper covers tasks that principally fall to DFID. But there are inevitably strong inter-linkages with the diplomatic and military engagement in Iraq. And the evolving strategy will also involve FCO, HMT and MOD directly, and others less directly (No.10, Cabinet Office, DCMS, DTI, Home Office, DEFRA).

Development Objective

3. The Azores Statement in March 2003 set out "...our commitment to support the people of Iraq for the long term. The Iraqi people deserve to be lifted from tyranny and allowed to determine the future of their country for themselves. We pledge to work with the international community to ensure that the Iraqi people can exploit their country's resources for their own benefit, and contribute to their own reconstruction, with international support where needed. We wish to help the Iraqi people restore their country to its proper dignity and place in the community of nations, abiding by its international obligations and free from UN sanction." This will require a full, democratically elected government with control over a unified and transparent budget, free from sanctions and integrated into the international economy, pursuing a programme of sustainable economic growth and poverty reduction.

4. Since 1991, DFID has provided financial assistance through NGOs, the ICRC and UN agencies, to support humanitarian assistance to those in need in Iraq; and, in the north, development support. Looking beyond immediate relief, DFID will wish to help Iraq reach its development potential, to secure a stable future where the needs of the whole population are met equitably and sustainably.

Current DFID Strategy

5. Since 1991, DFID has provided over £100 million for water and sanitation, health and other needs; and, in Northern Iraq, support for local public administration. During the latest conflict, DFID's efforts have been directed at humanitarian priorities, namely:

- preparing for any movement of people;
- supporting medical supplies and services;
- maintaining distribution arrangements for food, including those financed under the Oil For Food Programme;
- protecting and maintaining water and sanitation services;
- ensuring basic security and unhindered humanitarian¹ access; and
- promoting effective international coordination.

6. These efforts have been pursued through contributions to programmes implemented by the UN humanitarian agencies; through the International Committee of the Red Cross; through international NGOs; through advisory support to the UK military in Southern Iraq; and through coordinating advisers positioned in the region. (Annex 1 provides a short summary).

7. These efforts reflect the UK's commitment to provide impartial humanitarian assistance to those in need. Latterly, these efforts also support the UK's obligations as an Occupying Power under the Geneva Conventions and Hague regulations.

8. DFID has earmarked £210 million for relief, recovery and reconstruction activities during 2003/04. This includes £120 million provided from the Central Reserve.² DFID has (temporarily) positioned staff in Tehran, Amman, and Kuwait; and seconded staff to work with the UN, the UK military, and the US-led Office for Reconstruction and Humanitarian Assistance (ORHA).³

¹ The term "humanitarian" covers a wide range of emergency relief activities, ranging from food rations to repair of power supply. "Reconstruction" refers to longer-term economic, social and political development activities – not just infrastructure. "Humanitarian" and "Reconstruction" efforts are inter-linked and complementary, not sequential or separate.

² A further \$100m (£60m) was earmarked for DFID in the Central Reserve for Iraq, in the Chancellor's Budget Statement. Subsequently, it has been agreed that the net costs of OGD secondments to ORHA can be met from this amount, to be administered by FCO.

³ Staff positioned in Tehran and Amman have now been withdrawn.

DFID Strategy: Towards Recovery and Reconstruction (April-October)

9. Broadly, the acute humanitarian crisis that was feared in Iraq has not materialised, though the population remains dependent on – and therefore vulnerable to disruptions in – humanitarian food and medical supplies. Hence, whilst there has been limited need for *relief* operations, there is an urgent need to restore supplies and distribution under the Oil for Food Programme, and, more broadly, to restore civil administration and public services.

10. In the short term (next three months), priorities include:

- getting public services running again: public sector workers back to work (especially police, doctors, nurses, teachers, utilities workers, port workers); salaries paid in an efficient, transparent and non-inflationary manner (at current/consistent rates across the country); economic ministries, line ministries, central bank, provincial and municipal offices functioning, with external advice – from ORHA, UN, IFIs, NGOs).
- re-establishing law and order: basic civil policing, using Iraqi civilian police where available, with Coalition military support; local courts functioning, where staff are available; minimising Arab/Kurd tensions in the North.
- ensuring needs of vulnerable are met: food pipeline maintained beyond 3 June (by WFP under OFF or separately); support OFF distribution systems, enhanced by NGOs, ICRC; emergency water supplies if needed; and resume oil exports to finance humanitarian supplies.
- restoring public infrastructure: reinstate power supplies, water supplies, sanitation and sewerage systems; re-establish transport and logistical systems underpinning OFF; rehabilitate telecommunications (for media, for civil society, for coordination of relief efforts).

11. Beyond the immediate recovery tasks outlined above, the broader agenda for the next six months will include:

- addressing the needs of the vulnerable whilst reducing the generalised dependence created by the OFF;

- creating transparent and accountable economic, legislative and governance structures which support broad-based and sustained economic development, an active private sector, and a stable macro economy;
- achieving social consensus and full participation of Iraqi people – including women - in defining and developing their own governance structures, in establishing an IIA, reforming the justice and security sectors, addressing the need for constitutional reform, and, eventually, preparing for elections;
- ensuring continued delivery of essential public services (health, education);
- addressing the regional dimensions of the conflict in Iraq (ie economic contagion effects of the war: especially on Jordan, Syria, Egypt, to a lesser extent Lebanon, Tunisia, Turkey; and implications for the Middle East Peace Process).

12. We will need to focus our bilateral effort selectively, drawing on our experience in other post-conflict and transition economy countries, and taking account of Iraq's characteristics as an oil-rich economy, well-educated, with a potentially vibrant private sector and civil society. We would therefore consider contributions in the areas of economic management; security sector reform; public administration reform; and the political transition process. These contributions would need to fit within an international framework agreed with the Iraqis. We would not anticipate playing a leading role in any of these areas. Rather, we would channel technical assistance and policy advice where can best add value. In pursuing the above work areas, key partners for DFID will include: ORHA – responsible for civil administration on a transitional basis ; the Interim Iraqi Authority – as and when it emerges; the UN system; the IMF and World Bank; the ICRC; and international NGOs. Our approach will be based on DAC principles of effectiveness and past experience of good practice: selective technical assistance focused in specific areas where DFID can add value, and where we can influence multilateral and other bilateral resources.

13. Our engagement with the above reform agenda will need to be guided by international law. Specifically, until an IIA is endorsed by the UNSC, we will need to take full account of the Attorney General's advice to ensure that DFID honours the limits prescribed by the Geneva and Hague conventions for an Occupying Power²

² These limits are: establish and preserve law and order; ensure basic civic administration is up and running; and facilitate delivery of humanitarian aid.

14. Underpinning all areas of our work, DFID can play an important role in ensuring effective coordination of the international effort in Iraq. Key elements include:

- facilitating/assisting engagement between ORHA and the IFIs/UN on medium term assessments and planning;
- trying to ensure that ORHA manages the Coalition's Geneva and Hague obligations effectively;
- widening the group of multilateral and bilateral donors involved in Iraq's reconstruction (whilst ensuring effective coordination);
- contributing to the process for establishing an Interim Iraqi Authority.

15. These strategic priorities are tabulated in annex 2 with key partners identified by sector/work area.

Key Assumptions

16. Under our ideal scenario:

- (a) the UN establishes its lead role in the humanitarian/recovery phase of this crisis, as soon as possible;
- (b) there is agreement in the UN Security Council very soon: asking the Secretary General to appoint a Special Representative to facilitate the establishment of an internationally-recognised government; extension of OFF, and a successor arrangement beyond 3 June;
- (c) an IFI/UN Needs Assessment mission⁵, with DFID participation, prepares the way for a Donors' Conference; and
- (d) agreement is reached in the Paris Club and UNSC on how to handle Iraq's debts, claims for compensation, and future oil revenues under an Interim Authority.

17. This will require significant progress in New York (UN) and in Iraq (with the military and with the emerging Iraqi consultative groups), and, in particular, agreement on Security Council Resolutions covering: international recognition of an Interim Iraqi

⁵ The World Bank has prepared draft terms of reference, covering Human Development (health, education, social protection); Water Sector; Power Sector; and Economic Policy.

Authority; the future of OFF; treatment of sanctions and WMD (and role of UNMOVIC); and compensation claims.

Risks

18. There are three main risks: (a) discussions in the UN fail to reach agreement (on OFF, on IIA, on Sanctions, on WMD/UNMOVIC, on all of the above); (b) the US establishes de facto control over Iraq, particularly management of oil revenues in a way that is in breach of Security Council resolutions; (c) the political transition process in Iraq becomes messy/leads to civil unrest, making it impossible to pursue relief or reconstruction efforts effectively. The level of impact would be high; and the probability is medium to high.

19. Wider HMG strategy seeks to address the first two risks through political and diplomatic dialogue with all major partners. In turn, progress on these fronts should help mitigate the third risk. In terms of managing our strategy, we would continue with needs-based support for relief activities until such time as an IFI/UN needs assessments can be done. If the UN process fails, or internal security poses a threat, this will not happen and we would not move to the medium term engagement set out in this paper.

Management Implications

20. DFID will need to establish a field presence in Iraq quickly, alongside the UN and other partners, in order to monitor the ongoing humanitarian situation and to influence the policy issues highlighted above. At present, security permitting, we plan to establish a (temporary) presence in Basra – reflecting our already close relations with the UN agencies currently positioned in Kuwait and with UK 1 Division. This will need to link into a fourth ORHA regional office if this is established in Basra

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21. Alongside a small team in the South, we will need to establish a presence in Baghdad quickly. At present, the security situation in Baghdad is highly problematic. We understand that close protection will be required and any movements around Baghdad will need to be in a three-armoured car convoy. This will delay the establishment of a DFID office. We will therefore place DFID staff with operating agencies, including ORHA, until a DFID office can be set up.

22. To support the strategic objectives set out above, we envisage DFID staff will need to work very closely with the UN agencies, IFIs, ORHA and the UK military, as well as within an independent DFID presence. In a limited number of cases, staff would be seconded to these partners, though they would continue to report to DFID HQ. The overall DFID complement in Iraq might range between 7 and 15 staff over the next six months or so: some of these assignments would be only for a few weeks; others could be up to six months in duration.

23. DFID field staff will need to be headed at a senior level to ensure that we are able to engage effectively with key partners. The skills mix will be determined on a case-by-case basis, and in part will be driven by the availability of staff. We have begun to look for internal candidates.

24. In DFID HQ, two teams have been set up to work on Iraq: Humanitarian Response and Coordination; and Policy and Reconstruction. As the immediate humanitarian phase of the crisis recedes (say, by July/August), most lead responsibilities would pass to the Policy and Reconstruction team (MENAD). At the same time, or sooner if possible, the Humanitarian Response team would revert to CHAD management, and the Iraq Coordination Information and Briefing Unit would be disbanded. Alongside this, we will need to resolve internal administration costs arising from the temporary structure created to manage the Iraq crisis.

25. At present, the Humanitarian and Coordination team, in consultation with the Policy and Reconstruction team, is managing all financial resources earmarked for Iraq. These responsibilities would similarly pass to the Policy and Reconstruction team by August 2003.

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26. In Whitehall, we will need to continue to work closely with the evolving Iraq Planning Unit based in FCO; and to ensure complementarity between DFID's bilateral approach, the GCPP, and the FCO's Global Opportunities Fund.

27. Looking beyond the next six months, the scale and structure of DFID's presence in Iraq and the structure in London will be determined by emerging needs and by the relationship with the new Government of Iraq. Given Iraq's oil wealth and human capital, we would expect this engagement to be limited to, say, 5 years and focused on strategic technical assistance inputs. This issue will need to be addressed in the strategy review proposed for October 2003.

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Annex 1

DFID Support to Iraq

Red Cross	Brief Description	Amount Agreed (£)
ICRC	Pre-positioning stocks, deployment of delegates and support to emergency programmes	16,500,000
IFRC	Pre-positioning stock, deployment of delegates and support to emergency programmes	15,500,000
Red Cross TOTAL		32,000,000
UN	Brief Description	Amount Agreed (£)
FAO	Support to agricultural and poultry production in war-affected areas of southern Iraq to boost food security and contribute to improving the nutritional status of project beneficiaries in areas targeted	1,500,000
OCHA	Deployment of personnel to Country Teams and Lamaca. Deploy IRIN officers to Cyprus, Turkey, and Jordan. Develop public information capacity. Support of information, coordination and technology in Iraq and the region. HIC	900,000
UNDP	Emergency assistance in the electricity sector focusing on Central and Southern Iraq. Work includes assessments and rapid rehabilitation of facilities.	7,035,100
UNHCR	Winter kits for 350,000. Procurement of remaining kits for target caseload of 600,000. Site identification and deployment of additional emergency officers.	1,750,000
UNICEF	Pre-positioning emergency supplies. Developing campaign for mine awareness. Enhance capacity of field offices. Support to key activities in water and emergency sanitation, routine immunisation and mine risk education throughout Iraq.	9,000,000
UNMAS	Support to mine clearance activities and mine action co-ordination throughout Iraq.	4,000,000
UNSECOORD	Enhance current security structure with 1 Regional Security Coordination Officer, 6 Field Security Officers, oversight and training.	600,000
WFP	Support to enable the procurement, transport and distribution of foodstuffs, including operational and logistical support. Support to the provision of the UN Humanitarian Air Service and the UN Joint Logistics Centre. Food pre-positioning for 250,000 for ten weeks. Upgrading logistics and communications capacity.	33,000,000
WHO	24 emergency health kits pre-positioned. Training on communicable diseases and awareness for CBW. Need to preposition 76 additional health kits and 20 surgical kits. Strengthen WHO field operations, logistics and communications.	6,000,000
UN Total		63,785,100
NGOs	Brief Description	Amount Agreed (£)
Merlin	Emergency health, mobile units, rapid health assessments	265,000

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International Medical Corps (IMC)	Emergency Trauma care, primary care for under 5s and pregnant woman and obstetric care	220,000
Save the Children UK	Health, non-food items and tracing	500,000
HelpAge International	Non-food items, shelter to elderly IDPs and their dependents	150,000
GOAL	Assistance and Primary Health Care to southern Iraq	305,834
BBC World Service Trust	Emergency radio programme	314,341
War Child	Emergency bakeries programme	613,133
MedAir	Assistance to IDPs in northern Iraq	295,565
Mines Advisory Group	Mine action preparedness, mine marking and deployment of coordinators to centre/south Iraq	80,883
4RS	Assistance to vulnerable women in northern Iraq	105,673
NGOs TOTAL		2,850,429

In-kind support

30 Emergency health kits, obstetric equipment and cholera kits	Approximate value £200,000
Support to Inter-agency Humanitarian Information Centre in Larnaca	£50,000
In-kind Secondments	Liaison Officer to HIC Larnaca Logistics Officer to HIC Larnaca Air Movement Officer to WFP Damascus Air Coordinator to UNJLC Larnaca

TOTAL FUNDING COMMITTED:	£115,000,000
TOTAL FUNDING AGREED:	£98,635,529

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DFID Objectives: Towards Recovery and Reconstruction

Core sectors/Timing	Relief to Recovery	Recovery to Reconstruction
	May-July	May-July and beyond
	Ensuring effective coordination in the international system <i>Partners: IFIs, UN, USAID, Bilaterals, EC</i>	
Emergency supplies	OFF pipeline <i>Partners: UN, military, ORHA</i>	Successor arrangements to OFF <i>Partners: UN, IFIs, IIA, Bilaterals</i>
Civil administration	Public distribution system Economic management (inc salaries, currency etc) Public infrastructure (ministry buildings, clinics, schools etc) <i>Partners: ORHA, military, UN, IFIs</i>	Economic management Civil service reform <i>Partners: IFIs, UN, US, IIA</i>
Law and order	Policing/justice in UK AO Justice and security sector reform <i>Partners: ORHA, military</i>	Justice and security sector reform <i>Partners: WB, UN, IIA</i>
Infrastructure	Fuel and power supplies Water and sanitation services <i>Partners: UN, ICRC, military, ORHA (inc USAID), Iraqi utilities</i>	
Health	Medical supplies and services Immunisation <i>Partners: UN, ICRC, Iraqi health system, ORHA (inc USAID)</i>	
Other	Public information Mines/UXO <i>Partners: UN, ORHA</i>	Political transition Mines/UXO <i>Partners: UN, IIA, Bilaterals</i>