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1 April 2003

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| NBU/093/001/03 | |
| RECEIVED IN REGISTRY | |
| 30 APR 2003 | |
| DESK NUMBER | REGIS |
| INDEX | PA |
| | Multi Task |

Dear Andrew,

IRAQ: REHABILITATION, REFORM AND DEVELOPMENT

At the Prime Minister's meeting this morning Clare Short welcomed the emerging ministerial consensus (and the excellent IPU paper) on what the core principles for a UNSCR (or UNSCRs) for rehabilitation, reform and development in Iraq should be. There will be follow-up meetings later this week and next: the IPU is providing further briefing. I thought it would be useful to set out in writing our views on two of the core principles for UN authorisation. I am also including our thoughts on what further work is needed across Whitehall and internationally to turn our vision for the future of Iraq into a reality the international community can deliver.

Key principles and the UNSCR

From DFID's experience of post-conflict reconstruction elsewhere, we see two key principles on which the UK cannot compromise. Without these there is a risk that UK and US post-conflict objectives will be seriously jeopardised.

- We strongly agree that the primary principle should be a **rapid political process leading to the establishment of an Iraqi Interim Authority with Iraqi and international political legitimacy**. This means the process must be facilitated by the UN and start soon after conflict ends – if not before. We must find a way through the current diplomatic difficulties which allows and invites the UN to prepare for this role very soon. The period of quiet diplomacy the Prime Minister has asked for is an opportunity to explore with a range of countries and the UN itself alternative ways forward.
- A further core principle is to secure a **resolution that is supported by the international development community** (particularly those who should be leading on the reform, rehabilitation and development of post-conflict Iraq) and so ensures that best practice from other post-conflict situations can be applied to Iraq. In particular, the IFIs and UN development agencies should be comfortable that they have sufficient

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cover to make the most effective contribution. Tom Scholar will be writing shortly about the position of the IFIs. Our current understanding is that the IFIs are less constrained by legality than by the politics of their Boards, which are no more likely than the UN Security Council to agree a minimalist resolution which just "endorses" a US-led plan. Jim Wolfensohn and Horst Köhler have an understandable desire to avoid the divisions of the Security Council being replayed in their institutions, where political debate should be avoided. We also need to get the IFIs involved relatively quickly, given the pressing need for economic reforms on which they are best placed to lead. We are of course talking privately to the Bank and Fund about this. At American initiative, Jon Cunliffe, Nicola Brewer and FCO colleagues have also started to talk about this very informally with the US and a few other countries. But it will be difficult (and counter-productive) to do so more openly until the developing international consensus on post-conflict architecture is clearer. We should also be clear that any financial arrangements proposed fit the IFIs' respective mandates and competences, for example in the management of international trust funds (which HMT are discussing with their US counterparts).

If the resolution does not pass these tests, then the financial burden will be insufficiently spread (with uncomfortable fiscal implications for the UK) and the effort to reform, rehabilitate and develop Iraq is unlikely to be as successful (with wider security and regional implications).

With those two principles in mind, we have looked again at relevant UNSCRs in other post-conflict situations, notably Afghanistan. UNSCR 1378 - which Clare Short circulated at the Prime Minister's meeting on Saturday - set out the process for creation of an Afghan interim administration and was agreed (in November 2001) before military intervention had ceased. The text is strikingly short and simple. It is notable that the Secretary-General's Special Representative was already working on the political process before the SCR was passed, and that the UNSCR creating UNAMA was not passed until 28 March 2002. The start of UN involvement does not have to be postponed until a resolution has been passed; indeed getting the UN involved earlier may make it easier to convince other SC members to vote for an SCR. We are confident from our discussions with the World Bank that a copy of UNSCR 1378 or something close to it would give them the cover they seek (Tom Scholar will cover this also in his letter).

The way forward across Whitehall

The new ministerial and senior officials' groups on Iraqi rehabilitation (proposed in your letter of 28 March to Michael and me) seem the best way to take forward the detailed implications of any SCR's content, and what can be done before its passing. I agree we should proceed rapidly on the lines of your letter. The key will be to agree very quickly on the work programme and to task those with the knowledge and experience in the subject areas to take the lead, while consulting others with an interest, and ensuring all the workstreams fit together into a coherent - and affordable - strategy. We must draw on the lessons learnt from other post-conflict situations such as Afghanistan, Kosovo, East Timor, Sierra Leone and Bosnia

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With this in mind I attach some thoughts on how such a strategy might shape up. The Cabinet Office will pull all this together, but DFID is already working on issues in our areas of expertise under several of the workstreams listed. We are keen to work more closely with HMT, MoD and FCO on areas such as debt and reparations rescheduling, the use of oil revenues, security sector reform, and the diplomatic and financial strategy for building consensus around what needs to be done. Nicola Brewer will take the lead for DFID in the Cabinet Committee senior officials' group. I hope there will be increased cross-membership of the various workstreams, and that we will use all the interdepartmental machinery at our disposal (eg the Global Conflict Prevention Pool for security sector reform) to ensure joined up working.

In looking at our areas of expertise, we are consulting the Bank and Fund, UN development agencies, the EC and other key bilateral donors as well as the US Administration. This should ensure the widest possible buy-in, and also increase pressure for a rapid SCR from those involved in development. From our perspective, widening these discussions beyond US-UK is the best way to ensure their success. We would like to do this as part of a coordinated UK strategy, which might be a topic for early discussion at the senior officials' group.

I am copying this letter to Sir David Manning (No 10), Sir Michael Jay and **Dominic Chilcott** (FCO); Gus O'Donnell and Jon Cunliffe (HMT), Sir Kevin Tebbit (MoD), Desmond Bowen (CO) and to Tom Scholar (UKDel IMF/IBRD).

Yours,


Suma Chakrabarti

IRAQ: REHABILITATION, REFORM AND DEVELOPMENT
A strategic overview

INTRODUCTION

Purpose

Andrew Turnbull has set out the need for a coherent UK government policy on the enormous range of issues relevant to rehabilitation planning for Iraq. Most of these are already being taken forward by individual Departments or cross-Whitehall groups. What is lacking is a strategic overview of how these workstreams fit together. A new Ad Hoc Ministerial Group, supported by a senior officials group (which will coordinate the work of various subgroups pursuing particular streams of work under the leadership of individual Departments), is being tasked to formulate policy for the rehabilitation, reform and development of Iraq.

To start their work the ministerial and officials' groups will need a work programme. No single paper has yet been written setting out a strategy for how the international community can help Iraq recover from war, sanctions, misrule and the consequent economic and political collapse, and the sequence of actions needed to get this process underway with adequate international support – particularly from the IFIs. These notes suggest elements for such a paper. Its production could be coordinated by the Cabinet Office, in a process iterated with the detailed work being done on individual workstreams.

UK policy objectives

These are set out in broad terms in the Vision for Iraq and the Iraqi People. The Post-Conflict Objectives, when finalised, will be a more definitive statement. The challenge now is to set out in detail what needs to be done to realise the vision and implement the objectives. We should ensure that appropriate action is in hand, by us or others, to address all our commitments¹.

What Iraq might look like in 5,10,20 years...

Given Iraq's enormous oil reserves, well-educated workforce (and diaspora), and relatively functional public sector, it should be a prosperous middle income country. The Iraqi people need to agree a vision for using their own natural resources and endowments to generate sustainable economic growth which will regain and exceed GNP per capita levels of 25 years ago. This vision needs to be combined with broader international objectives on regional political stability, human rights, non-proliferation etc to set the context for international assistance. Although a major international effort will be needed to set Iraq on the path to rehabilitation in the short-medium term, it is unlikely there will be a substantial financing gap beyond 3-5 years.

...but urgency of addressing key reforms quickly – with right advice.

Only the Iraqi people can develop a legitimate long-term vision for their country's development. But some quick major decisions will be needed to kick start the process. Where decisions cannot be postponed for an interim Iraqi authority to take later, they should be informed by the part of the international system best qualified to advise – often the IMF or World Bank. US thinking on rehabilitation and reform is more advanced than ours. They may (through ORHA) want to take some decisions very quickly.

¹ See paragraphs 6 and 7 of Desmond Bowen's 25 March draft of the Post-Conflict Objectives

Lessons learned, knowledge needed

The international community has learned many lessons - developmental, political and institutional - from the experiences of post-conflict reconstruction after recent crises, notably Afghanistan, Kosovo, East Timor, Sierra Leone and Bosnia. It will be essential to apply those lessons in helping the Iraqi people rebuild their country, while acknowledging the unique political, economic, social and cultural context. UK policy should increasingly be informed by a detailed understanding of this context, which we do not yet have but are rapidly acquiring.

WORKSTREAMS

These could include:

- i. **Interim Iraqi civil administration structures (IIA)**
- ii. **Relationship between IIA, coalition and UN**
- iii. **Process for constitutional reform/elections**
- iv. **Ensuring security, and security sector reform**
- v. **Justice and human rights**
- vi. **Turning humanitarian relief into recovery, and reducing dependency**
- vii. **Macroeconomic reform**
- viii. **Sustainable debt and reparations strategy**
- ix. **Stimulating private sector growth and wealth creation**
- x. **Management of the oil sector**
- xi. **Environmental clean-up and recovery**
- xii. **Public sector reform**
- xiii. **Building service delivery capacity**
- xiv. **Infrastructure reconstruction**
- xv. **Closure on WMD**
- xvi. **Lifting sanctions against Iraq**
- xvii. **Iraq's regional and global integration**

There will also be an interest in arguing for fair opportunities for UK business in Iraq - although this will not be addressed through the UK development assistance programme, given the Government's policy to untie our aid (ie give no preference to UK companies) and persuade others to do the same, and will thus not directly inform strategy.

While it is already clear who is leading on most areas, further agreement is needed on Whitehall leads, the interests of non-lead departments in being involved in other areas, and establishing the links between the different workstreams.

OVERARCHING ISSUES

These issues affect most or all of the workstreams. As several departments are already pursuing them with their counterparts in other countries and international organisations, they need to be coordinated and sequenced particularly carefully.

- a. **Building international political support for the appropriate framework**
- b. **Building international/Iraqi consensus (including IFIs) on priorities for Iraq**
- c. **Financing**
- d. **Coordination of international support once underway**
- e. **Awareness across Iraq of international plans**