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for

# **The Report of the Iraq Inquiry**

Report of a Committee of Privy Counsellors

Volume IX

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# SECTION 10.1

## RECONSTRUCTION: MARCH 2003 TO JUNE 2004

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## Introduction

1. Section 10 addresses the UK contribution to humanitarian assistance and reconstruction in Iraq between 2003 and 2009:

- This Section (10.1) covers the period between March 2003 and the end of the Occupation of Iraq in June 2004.
- Section 10.2 continues the story from July 2004 to 2009.

2. Sections 10.1 and 10.2 consider:

- humanitarian assistance;
- the development and implementation of UK reconstruction policy, strategy and plans;
- the UK's engagement with the US on reconstruction, including with the US-led Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA); and
- the UK's engagement with successive Iraqi governments on reconstruction.

3. Section 10.3 addresses five issues in more detail:

- UK policy on Iraq's oil and oil revenues;
- the Government's support for UK business in securing reconstruction contracts;
- debt relief;
- asylum; and
- reform of the Government's approach to post-conflict reconstruction and stabilisation.

4. Those issues are addressed separately from the main reconstruction narrative, in order to provide a clearer account of the development of the UK's engagement.

5. This Section does not consider:

- planning and preparing to provide humanitarian assistance and reconstruction, which is addressed in Sections 6.4 and 6.5;
- the financial and human resources available for post-conflict reconstruction, addressed in Sections 13 and 15 respectively;
- de-Ba'athification and Security Sector Reform (SSR), addressed in Sections 11 and 12 respectively; and
- wider UK policy towards Iraq in the post-conflict period, addressed in Section 9.

6. During the period covered by the Inquiry, the Government used a number of different terms to describe post-conflict activity in Iraq, including "reconstruction". It did not

generally define those terms. The Inquiry uses the term “reconstruction” in line with the Government’s common usage:

- to include work to repair and build infrastructure, deliver essential services and create jobs;
- to include work to build the capacity of Iraqi institutions and reform Iraq’s economic, legislative and governance structures; and
- to exclude SSR.

## UK post-conflict objectives and planning assumption

7. Mr Jack Straw, the Foreign Secretary, issued a Written Ministerial Statement setting out the UK’s strategic objectives for Iraq on 7 January 2003.<sup>1</sup> The objectives included a definition of the UK’s desired end state for a post-Saddam Iraq:

“We would like Iraq to become a stable, united and law abiding state, within its present borders, co-operating with the international community, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective and representative government to its own people.”

8. The development of the UK’s objectives for post-conflict Iraq is addressed in detail in Sections 6.4 and 6.5.

9. The ‘Vision for Iraq and the Iraqi People’ issued by Mr Blair, President Bush and Mr José María Aznar, the Prime Minister of Spain, at the Azores Summit on 16 March, included a number of specific commitments on post-conflict reconstruction.<sup>2</sup> The three leaders declared:

“We will work to prevent and repair damage by Saddam Hussein’s regime to the natural resources of Iraq and pledge to protect them as a national asset of and for the Iraqi people. All Iraqis should share the wealth generated by their national economy ...

“In achieving this vision, we plan to work in close partnership with international institutions, including the United Nations ... If conflict occurs, we plan to seek the adoption, on an urgent basis, of new United Nations Security Council resolutions that would affirm Iraq’s territorial integrity, ensure rapid delivery of humanitarian relief, and endorse an appropriate post-conflict administration for Iraq. We will also propose that the Secretary-General be given authority, on an interim basis, to ensure that the humanitarian needs of the Iraqi people continue to be met through the Oil-for-Food program.

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<sup>1</sup> House of Commons, *Official Report*, 7 January 2003, column 4WS.

<sup>2</sup> Statement of the Atlantic Summit, 16 March 2003, ‘A Vision for Iraq and the Iraqi People’.



“Any military presence, should it be necessary, will be temporary and intended to promote security and elimination of weapons of mass destruction; the delivery of humanitarian aid; and the conditions for the reconstruction of Iraq. Our commitment to support the people of Iraq will be for the long term.”

**10.** On 25 March, Mr Desmond Bowen, Deputy Head of the Cabinet Office Overseas and Defence Secretariat (OD Sec), sent a draft paper to senior officials in the Foreign and Commonwealth Office (FCO), the Ministry of Defence (MOD) and the Department for International Development (DFID) setting out “British Post-Conflict Objectives”.<sup>3</sup>

**11.** The draft included Mr Straw’s formulation of 7 January, adding:

“Our objective is to create conditions for a future Iraqi government which will act to make this aspiration a reality. We will work with the Iraqi people, the UN and other international organisations, and the wider international community to this end.”

**12.** The draft stated:

“British forces will continue to contribute, for no longer than is necessary at a sustainable level, to the US-led Coalition military presence in the interests of promoting a secure environment in Iraq ...

“We have made plans with our international partners to assist the Iraqi people in the process of transition. With others, we will assist in the return to full Iraqi sovereignty ...

“With others, we will help revive the Iraqi economy and assist reform by:

- working with the UN to manage Iraq’s oil revenues in order to achieve the maximum benefit for the Iraqi people in an accountable and transparent manner;
- supporting an international programme for the reconstruction and repair of Iraq’s infrastructure ...;
- fostering economic reform ...;
- agreeing a comprehensive financial framework of transitional support for Iraq ...;
- helping reform Iraq’s public administration ...;
- supporting the observance of human rights, and legal and judicial reform ...;
- helping Iraq generate reformed and accountable security forces acting in accordance with international human rights standards.”

**13.** There is no indication that the objectives were ever adopted formally.

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<sup>3</sup> Letter Bowen to Chaplin, 25 March 2003, ‘Iraq: Post Conflict Objectives’ attaching Paper [draft], 25 March 2003, ‘Iraq: British Post-Conflict Objectives’.

**14.** The transition from conflict (Phase III) to post-conflict (Phase IV) military operations in Iraq started as soon as Coalition troops began to occupy Iraqi territory.

**15.** Section 6.5 concludes that, when that transition began:

- The Government had not taken firm decisions on the nature or duration of the UK's military commitment in post-conflict Iraq or on the extent of the UK Area of Responsibility (AOR).
- There had been no systematic analysis of the UK's military or civilian capacity to fulfil its likely obligations in the South in a range of circumstances, including:
  - in the prolonged absence of an authorising Security Council resolution;
  - in the absence of additional Coalition partners;
  - in a hostile security environment with low levels of Iraqi consent; and
  - over different timescales, in particular the medium and long term.

**16.** Ministers, officials and the military continued to assume that:

- there would be early agreement on a post-conflict resolution;
- levels of consent would rise steadily across most of Iraq; and
- despite the scale of the undertaking, the international community would succeed in realising the Azores vision for Iraq's social, political and economic transformation of Iraq.

**17.** Above all, despite UK concerns that the US had not prepared a satisfactory plan for post-conflict Iraq and that ORHA, the body responsible for immediate post-conflict administration and reconstruction, was not up to the task, it was assumed that the US could act as guarantor of the UK's objectives in Iraq.

### **Definition and use of Area of Operations (AO) and Area of Responsibility (AOR)**

Area of Operations (AO) refers to the UK military's area of combat operations during the invasion of Iraq (Phase III of operations). It is the term applied during conflict and, in terms of time, space and force, is the area in which lethal force can be applied for a designated period of time.

Area of Responsibility (AOR) is usually applied in peace support operations. In Iraq, it refers to the area of southern Iraq for which the UK military was responsible during the post-conflict Occupation of Iraq (Phase IV of operations).

The two terms were not used consistently within government and were sometimes applied interchangeably in the same document.

## Humanitarian assistance

**18.** Section 6.5 addresses the UK's pre-invasion preparations, led by DFID and the military, for the provision of humanitarian assistance during and in the immediate aftermath of conflict.

**19.** Ms Clare Short, the International Development Secretary, described DFID's humanitarian contingency plan in a Written Ministerial Statement to Parliament on 13 March 2003.<sup>4</sup>

**20.** In the Statement, Ms Short stated that DFID would have two roles in the event of conflict:

- to help advise UK Armed Forces on their obligations under the Hague and Geneva Conventions; and
- to use the funds, expertise and influence available to it to support delivery of humanitarian assistance by the international community.

**21.** Ms Short advised that DFID was deploying staff to key locations in the region, had brought DFID's stockpile of non-food items, vehicles and equipment "to immediate readiness", was procuring additional supplies, and was positioning some of its stocks in Kuwait and elsewhere in the region.

**22.** On 17 March, at Ms Short's request, DFID's Conflict and Humanitarian Affairs Department (CHAD) prepared a paper on shortcomings in humanitarian preparations and steps needed to address them.<sup>5</sup>

**23.** Officials identified seven problems:

- "UN funding needs insufficiently met. Preparedness incomplete ...
- Red Cross Movement preparing but requires substantial funding support ...
- NGOs [Non-Governmental Organisations] beginning to establish presence but not fully prepared ...
- US preparedness for response lacks local experience and based on optimistic assumptions ...
- How to maintain the Oil-for-Food (OFF) programme ...
- How to support humanitarian agencies [to] gain early access to Iraq ...
- How Coalition Forces can provide effective humanitarian response ..."

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<sup>4</sup> House of Commons, *Official Report*, 13 March 2003, column 21WS.

<sup>5</sup> Minute DFID [junior official] to Private Secretary/Secretary of State [DFID], 17 March 2003, 'Iraq: Humanitarian Assistance' attaching Paper, [undated], 'Iraq: What is lacking in terms of being prepared for an effective humanitarian response and what would it take to address that?'

**24.** The proposed solution for the first three problems was to provide “immediate additional funds to DFID”. The proposed solution for the fourth was continued liaison between DFID, the US Agency for International Development (USAID) and ORHA.

**25.** Ms Short sent the paper to Mr Blair with the comment: “This summarises what needs to be done to improve humanitarian preparedness. Perhaps we could really focus on this next week.”<sup>6</sup>

**26.** A No.10 official advised Mr Blair that the main problems identified by DFID were:

- underfunding of humanitarian agencies;
- agencies not ready to respond effectively and lacking experience outside northern Iraq;
- the need for Coalition Forces to provide humanitarian assistance until there was a permissive security environment; and
- the risk that the OFF programme might break down.<sup>7</sup>

**27.** DFID’s proposed solutions included:

- increased funding for DFID and the MOD;
- rapidly securing a permissive security environment; and
- a resolution transferring management of the OFF programme to the UN Secretary-General.

**28.** The official advised that DFID’s analysis was “probably about right”. The MOD had been pressing DFID to help for some weeks, so it was useful that DFID now recognised the need to help. DFID was seconding two people to work with the US and the Cabinet Office was working to broker a deal on additional funding with the Treasury. The funding made available to the MOD to provide humanitarian assistance in the UK’s AOR is described in Section 13.1.

**29.** The military role in providing humanitarian assistance was summarised in a joint minute from Mr Straw and Mr Geoff Hoon, the Defence Secretary, to Mr Blair on 19 March.<sup>8</sup> The letter is described in more detail in Section 6.5. Mr Straw and Mr Hoon advised:

“The military task will be to facilitate a secure environment ... to enable immediate humanitarian relief to be conducted. To help UK forces win hearts and minds, HMT [the Treasury] have allocated them £30m for humanitarian purposes in the first month as well as £10m for quick win projects. (Clare [Short] has allocated £20m for

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<sup>6</sup> Manuscript comment Short on Minute DFID [junior official] to Private Secretary/Secretary of State [DFID], 17 March 2003, ‘Iraq: Humanitarian Assistance’.

<sup>7</sup> Minute No.10 [junior official] to Prime Minister, 17 March 2003, ‘Iraq: Humanitarian Assistance: DFID Views’.

<sup>8</sup> Minute Straw and Hoon to Prime Minister, 19 March 2003, ‘Iraq: UK Military Contribution to Post-Conflict Iraq’.

UN agencies' preparations and earmarked another £60m from DFID's contingency reserve for humanitarian operations. But this is a drop in the ocean; in the worse case, if the Oil-for-Food programme ground to a halt, Iraq could need as much as a billion dollars a month for humanitarian aid)."

### Extending the Oil-for-Food programme

Before the 2003 invasion, the UN Oil-for-Food (OFF) programme was the principal mechanism for Iraqi procurement of humanitarian goods.

The OFF programme was established by resolution 986 in April 1995. Implementation began in May 1996 after the signing of a Memorandum of Understanding between the UN and the Iraqi Government.<sup>9</sup> The programme allowed for:

- the export of Iraqi oil;
- the deposit of oil revenues into a UN-controlled account; and
- the use of those revenues to procure food, medicine and other goods approved by the UN.

Section 6.5 describes how, in January 2003, the UK began discussions with the US on adapting the OFF programme to the circumstances of post-conflict Iraq.

The UK approach was set out in background papers for the Azores Summit, sent to No.10 by the FCO on 15 March:

"If the Iraqi regime falls, new arrangements will need to be put in place to enable the OFF [programme] to keep functioning. Our current plan is to table a resolution soon after conflict starts ... We are seeking to amend some of the procedures to speed up the process for humanitarian goods ..."<sup>10</sup>

Resolution 1472, adopted unanimously on 28 March, transferred authority for administering the OFF programme, including authority to purchase medical supplies and Iraqi goods and services, to the UN Secretary-General for a period of 45 days, with the possibility of further renewal by the Security Council.

**30.** Military operations against Iraq began on the night of 19/20 March. Military operations during the invasion are described in Section 8.

**31.** Ms Short visited New York and Washington on 19 and 20 March for talks with the UN, US, World Bank and the International Monetary Fund (IMF).<sup>11</sup>

**32.** The British Embassy Washington reported that Ms Short had pressed the US Administration hard on the need for an early resolution to enable the OFF programme

<sup>9</sup> Office of the Iraq Programme, *About the programme: Oil-for-Food*.

<sup>10</sup> Letter Owen to Rycroft, 15 March 2003, 'Azores Summit' attaching Briefing FCO, 'Iraq – Oil for Food Programme (OFF) and Sanctions'.

<sup>11</sup> Telegram 501 UKMIS New York to FCO London, 21 March 2003, 'Iraq Humanitarian/Reconstruction: Clare Short's Visit to New York'.

to continue, on the grounds that any significant break in food distribution under the OFF programme could lead to “humanitarian catastrophe”.<sup>12</sup>

**33.** Ms Short wrote to Mr Paul Boateng, the Chief Secretary to the Treasury, on 21 March to request £120m from the Reserve for humanitarian assistance in Iraq.<sup>13</sup> That amount would cover an initial contribution to the anticipated UN appeal, support the Red Cross and NGOs, and fund DFID’s bilateral contribution. Ms Short stated that her bid did not include any funds for reconstruction; those costs would need to be considered in the “longer term”.

**34.** On the same day, DFID produced its first internal update on the humanitarian situation in Iraq and neighbouring countries.<sup>14</sup> Officials reported that DFID had deployed seven humanitarian and civil/military advisers:

- two to Kuwait City;
- two to join 1st (UK) Armoured Division (1 (UK) Div) in Kuwait;
- one to join ORHA in Kuwait; and
- one each to Amman and Tehran.

**35.** By the early hours of 23 March, 3 Commando Brigade had taken control of Umm Qasr, Iraq’s principal port.<sup>15</sup>

**36.** DFID’s internal update for 24 March reported that the two DFID advisers seconded to 1 (UK) Div were being included in all briefings, and that humanitarian assistance and civil-military issues were moving up the military’s agenda.<sup>16</sup>

**37.** The inter-departmental Iraq Planning Unit (IPU)<sup>17</sup> sent a paper on UK humanitarian planning to Mr Straw’s Private Office on 24 March.<sup>18</sup> The IPU advised that the major humanitarian agencies might begin operations in Iraq within 30 days, as the situation became secure. Until then, the “main humanitarian providers” would be the military, the Red Cross, and local staff working for the UN and NGOs. There was “some capability to respond to low intensity humanitarian needs”, but:

“... this will prove to be inadequate in the event of a protracted conflict (particularly around Baghdad or the North), significant damage to infrastructure and/or large-scale movements of people. The threat/use of CBW [chemical and biological weapons] could trigger a humanitarian disaster ... MOD and DFID are urgently

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<sup>12</sup> Telegram 370 Washington to FCO London, 21 March 2003, ‘Iraq: Ms Short’s Visit’.

<sup>13</sup> Letter Short to Boateng, 21 March 2003, ‘Iraq Humanitarian Funding: Reserve Claim’.

<sup>14</sup> Report DFID, 21 March 2003, ‘Iraq Humanitarian Situation Update: No 1 (internal)’.

<sup>15</sup> Report MOD, 23 March 2003, ‘Iraq: Update for the Number 10 Sitrep, 0600Z 23 March 2003’.

<sup>16</sup> Report DFID, 24 March 2003, ‘Iraq Humanitarian Situation Update: No 2 (internal)’.

<sup>17</sup> The IPU was established in February 2003 to develop policy on issues relating to the administration of Iraq. The creation of the IPU is addressed in detail in Section 6.5.

<sup>18</sup> Minute IPU [junior official] to FCO [junior official], 24 March 2003, ‘HMG Humanitarian Planning’ attaching Paper IPU, [undated], ‘HMG Humanitarian Planning’.

assessing the scope to provide emergency medical provision and public information in this scenario.”

- 38.** That assessment was repeated in an FCO paper on Phase IV (post-conflict) issues sent to Mr Blair by Mr Straw on 25 March, in advance of Mr Blair’s meeting with President Bush at Camp David.<sup>19</sup>
- 39.** It was also repeated in a DFID paper on humanitarian assistance during and immediately after the conflict sent to No.10 on 25 March.<sup>20</sup>
- 40.** The DFID paper identified steps to address the capability gap, including:
- Securing and maintaining a permissive environment as soon as possible.
  - Addressing funding and constraints for humanitarian agencies. DFID and the Treasury should conclude discussions on overall humanitarian funding.
  - Addressing urgently the risks posed to Iraqi civilians by CBW and assessing the scope for UK support in the event of a CBW attack.
  - Standing ready to protect and restore power and water supplies to prevent “a health-based disaster”.
- 41.** Between 18 March and 22 April, COBR, the UK Government’s crisis management and co-ordination facility, sent twice-daily updates on key events relating to Iraq to senior officials and departments.<sup>21</sup>
- 42.** The 25 March COBR round-up of key events in Iraq reported “some concern about the humanitarian situation in Basra where water and electricity supplies have been disrupted since Friday [21 March]”.<sup>22</sup>
- 43.** The MOD informed No.10 on 25 March that the Royal Engineers had started work on a water pipeline from Kuwait into Iraq, in order to restore supplies of drinking water to Basra.<sup>23</sup>
- 44.** Ms Short told the 27 March Ad Hoc Meeting<sup>24</sup> that the humanitarian situation in Basra was improving because of the efforts of the International Committee of the Red

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<sup>19</sup> Minute Straw to Blair, 25 March 2003, ‘Camp David: Post-Iraq Policies’ attaching Paper FCO, 25 March 2003, ‘Iraq: Phase IV Issues’.

<sup>20</sup> Letter Bewes to Rycroft, 25 March 2003, ‘Iraq: humanitarian assistance during and immediately after the conflict’ attaching Paper DFID, 25 March 2003, ‘Iraq: humanitarian assistance during and immediately after the conflict’.

<sup>21</sup> Minute Cabinet Office [junior official] to Manning, ‘Iraq: COBR Round Up of Key Events – 18 March’; Minute Cabinet Office [junior official] to Manning, ‘Iraq: COBR Round Up of Key Events – 22 April’.

<sup>22</sup> Minute Cabinet Office [junior official] to Manning, 25 March 2003, ‘Iraq: COBR Round Up of Key Events – 25 March’.

<sup>23</sup> Letter Watkins to Rycroft, 25 March 2003, ‘Iraq: Military Campaign’.

<sup>24</sup> The Ad Hoc Meeting (also known as the “War Cabinet”) took place daily from 19 March to 12 April, with the exception of Sundays 30 March and 6 April, and was chaired by Mr Blair.

Cross (ICRC).<sup>25</sup> Damage to the high voltage electricity supply by the Coalition had affected the water system. There were lessons to be learned.

**45.** Cabinet discussed the humanitarian situation later on 27 March.<sup>26</sup> Ms Short said that Iraq had been in a frail humanitarian state before the conflict. The big risks now were inadequate water supplies and failed sanitation systems. The military would have responsibility for providing humanitarian assistance once the shooting stopped.

**46.** A USAID Disaster Assistance Response Team (DART) crossed into Iraq for the first time on 27 March, visiting Umm Qasr to assess the humanitarian situation and the condition of the port, which was a major supply centre for the OFF programme.<sup>27</sup> The team reported that there were no major signs of humanitarian crisis, and that the port was in poor but working condition.

**47.** Also on 27 March, Mr Boateng agreed Ms Short's request for £120m from the Reserve.<sup>28</sup> Section 13.1 considers in more detail the resources that the Government made available for humanitarian assistance (and reconstruction).

**48.** The UN launched a Flash Appeal for Iraq on 28 March, requesting US\$2.22bn to provide six months' food and non-food aid for Iraq.<sup>29</sup>

**49.** DFID committed £65m to support the Appeal.<sup>30</sup>

**50.** The Royal Fleet Auxiliary (RFA) vessel Sir Galahad docked at Umm Qasr on 28 March and finished offloading its cargo of 200 tonnes of water, food and humanitarian stores the following day.<sup>31</sup> It was the first shipment of humanitarian assistance into Umm Qasr since the start of the invasion.

**51.** The Kuwait-Umm Qasr pipeline became operational on 30 March.<sup>32</sup> The pipeline filled three 24,000-litre tankers every 45 minutes.<sup>33</sup>

**52.** DFID's internal update for 31 March reported that international ICRC staff had gained access to Basra from Kuwait; the first international staff from a humanitarian agency to do so since the beginning of military operations.<sup>34</sup>

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<sup>25</sup> Minutes, 27 March 2003, Ad Hoc Meeting on Iraq.

<sup>26</sup> Cabinet Conclusions, 27 March 2003.

<sup>27</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>28</sup> Letter Boateng to Short, 27 March 2003, 'Iraq Humanitarian Funding: Reserve Claim'.

<sup>29</sup> United Nations, 28 March 2003, *Transcript of Press Conference by Deputy Secretary-General Louise Fréchet* at United Nations Headquarters, 28 March 2003.

<sup>30</sup> Report DFID, 1 April 2003, 'Iraq Humanitarian Situation Update No.8 (Internal)'.

<sup>31</sup> Report MOD, 29 March 2003, 'Iraq: Update for the Number 10 Sitrep – as at 1630Z 29 March 2003'; *The Guardian*, 28 March 2003, *Aid being delivered by Sir Galahad*; *Daily Mail*, 28 March 2003, *'Sir Galahad docks with aid shipment'*.

<sup>32</sup> Report MOD, 30 March 2003, 'Iraq: Update for the Number 10 Sitrep – as at 0730 30 March 2003'.

<sup>33</sup> Report DFID, 3 April 2003, 'Iraq Humanitarian Situation Update: No 10 (internal)'.

<sup>34</sup> Report DFID, 31 March 2003, 'Iraq Humanitarian Situation Update: No 7 (internal)'.



- 53.** The first ORHA personnel entered Iraq on 1 April, visiting Umm Qasr.<sup>35</sup> *Hard Lessons*, Mr Stuart Bowen's account as US Inspector General for Iraq Reconstruction of the US experience of reconstruction between 2002 and 2008, recorded that the situation had deteriorated rapidly since the visit of the USAID DART team because of heavy looting.
- 54.** The MOD reported on 2 April that the UN had declared Umm Qasr a "permissive" environment, opening the way for UN agencies and NGOs to start work in the town.<sup>36</sup>
- 55.** Mr Hoon raised humanitarian issues with Mr Donald Rumsfeld, US Secretary of Defense, on 3 April.<sup>37</sup> Mr Hoon proposed that ORHA (the majority of whose staff were still based in Kuwait), should focus on its humanitarian role as soon as it deployed to Iraq.
- 56.** A second USAID DART team visited Umm Qasr on 4 April and reported that "anything not nailed down" had gone.<sup>38</sup>
- 57.** The MOD reported on 4 April that the Red Cross and the Red Crescent were the only humanitarian agencies working alongside the UK military.<sup>39</sup> Water and power provision in Basra were back at pre-war levels.
- 58.** On 6 April, the Cabinet Office informed No.10 that the ICRC and UK military assessed that improving the water supply remained a priority for Umm Qasr and Basra, but the situation was not a "humanitarian crisis".<sup>40</sup>
- 59.** RFA Sir Percivale docked at Umm Qasr on 7 April to deliver 300 tonnes of "MOD humanitarian supplies".<sup>41</sup>
- 60.** Mr Hoon informed Parliament on 7 April that UK forces had "deployed in force into Basra".<sup>42</sup>
- 61.** The COBR evening round-up later that day reported that while no area in Basra was safe enough to call in humanitarian assistance, power and food were available to the majority of the population and the slight shortages of water were not significant.<sup>43</sup>

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<sup>35</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>36</sup> Report MOD, 2 April 2003, 'Iraq: Update for the Number 10 Sitrep – as at 1600 2 April 2003'.

<sup>37</sup> Minute Watkins to DG Op Pol, 3 April 2003, 'Iraq: Conversation with Rumsfeld: 3 April 2003'.

<sup>38</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>39</sup> Report MOD, 4 April 2003, 'Iraq: Update for the Number 10 Sitrep – as at 0600 4 April 2003'.

<sup>40</sup> Minute Drummond to Manning, 6 April 2003, 'Iraq: Update – Noon Sunday 6 April'.

<sup>41</sup> Report Cabinet Office, 7 April 2003, 'Iraq: Evening Round Up 7 April'.

<sup>42</sup> House of Commons, *Official Report*, 7 April 2003, column 21.

<sup>43</sup> Report MOD, 7 April 2003, 'Annex to Evening Sitrep 8 April 2003: Military'.

**62.** Ms Short informed Parliament on 10 April that food supplies were “not currently a major problem” in most of Iraq and there were not the large numbers of internally displaced people that had been feared.<sup>44</sup>

**63.** In the past few days, there had been reports of an increasingly serious humanitarian situation in Baghdad; the ICRC had reported “violent looting” and warned of a breakdown in law and order there.

**64.** Ms Short continued that with 16m Iraqi citizens dependent on the OFF programme and most families at least partially dependent on it, it was “critical” to get the OFF programme and its distribution network working again as quickly as possible.

**65.** Ms Short told the 11 April Ad Hoc Meeting that the ICRC and UN agencies were concerned about lawlessness in Baghdad and elsewhere.<sup>45</sup> Hospitals in particular needed to be secured. The systems in place for the distribution of food and the restoration of the water supply were disabled by the lack of security.

**66.** Mr Blair concluded the meeting by saying that the security situation in the cities had to be stabilised, particularly for hospitals. Although a violent release of anger in response to the fall of the regime was inevitable, the humanitarian situation had to be improved. The three basics were food, water and healthcare; DFID should provide advice on both the current situation and the strategy for the future.

**67.** DFID sent a paper to No.10 later on 11 April, advising that:

- The Iraqi health system was functioning, but was under severe strain in Baghdad and other towns that had suffered heavy casualties. There were localised shortages of medical supplies.
- Water, sanitation and power systems were fragile. UK forces, the ICRC and the United Nations Children’s Fund (UNICEF) were working together to reinstate services in the South; services in Baghdad were under severe strain.
- Food supply remained a concern: stocks distributed before the conflict under the OFF programme were expected to last until the end of April.
- Population movements had so far been limited and managed adequately by the local authorities.
- Key concerns were the breakdown in law and order and the future of the OFF programme beyond 12 May, when the authority provided under resolution 1472 expired.
- In the South, the UK military, drawing on the £30m allocated to them to provide humanitarian assistance, had been distributing food, water and medical supplies. Looting and disorder in Basra had been halted, and work was under way to restore key elements of local public administration.

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<sup>44</sup> House of Commons, *Official Report*, 10 April 2003, column 435.

<sup>45</sup> Minutes, 11 April 2003, Ad Hoc Meeting on Iraq.

- DFID maintained daily contact with the ICRC and UN agencies, but almost all other interventions, including deployment of DFID humanitarian advisers into Iraq, were awaiting an improvement in security. The ICRC was the only agency to have been in Iraq throughout the conflict: UN agencies and NGOs were awaiting their own security assessments before deploying widely. ORHA, which had “a very limited capability to deliver humanitarian assistance”, was similarly constrained.<sup>46</sup>

**68.** The Cabinet Office round-up of events on 11 April reported that the ICRC was “profoundly alarmed by the chaos currently prevailing in Baghdad and other parts of Iraq”.<sup>47</sup>

**69.** Sir David Manning, Mr Blair’s Foreign Policy Adviser, passed the Cabinet Office’s report to Mr Blair, highlighting the ICRC’s concern.<sup>48</sup>

### Publicising humanitarian assistance

The Government sought to generate positive publicity for the Coalition’s humanitarian assistance.

Mr Hoon proposed to Secretary Rumsfeld on 3 April that the Coalition needed to highlight its humanitarian work for as long as it remained engaged in a propaganda war with the Iraqi regime.<sup>49</sup>

Sir David Manning discussed establishing a medical “air bridge” to Baghdad with Mr Hoon and, separately, with Dr Condoleezza Rice, US National Security Advisor, on 12 April.<sup>50</sup>

Sir David reported that he had suggested to Dr Rice that “we” should bring planes into Baghdad packed with medical equipment and specialist medical teams.<sup>51</sup> The initiative would have an immediate impact on local hospitals and on Iraqi and international public opinion. The flights should be undertaken with “much fanfare, and for the cameras”. In practice, the initiative might not amount to much more than giving a much higher profile to what was already happening.

Sir David suggested to Mr Simon McDonald, Mr Straw’s Principal Private Secretary, that, if the idea prospered, “we should try to ensure that the UK is clearly associated with it. We might send British equipment and personnel on the flights, and secure maximum publicity for our contribution.”

Later that day, Mr Peter Watkins, Mr Hoon’s Principal Private Secretary, informed Sir David that US and Australian aircraft loaded with medical supplies would land in

<sup>46</sup> Letter Bewes to Rycroft, 11 April 2003, [untitled] attaching Paper DFID, 11 April 2003, ‘Iraq: Humanitarian Needs and Response’.

<sup>47</sup> Report Cabinet Office, 11 April 2003, ‘Iraq: Evening Round Up 11 April’.

<sup>48</sup> Manuscript comment Manning to Prime Minister, 12 April 2003, on Report Cabinet Office, 11 April 2003, ‘Iraq: Evening Round Up 11 April’.

<sup>49</sup> Minute Watkins to DG Op Pol, 3 April 2003, ‘Iraq: Conversation with Rumsfeld: 3 April 2003’.

<sup>50</sup> Manuscript comment Manning to Prime Minister, 12 April 2003, on Letter Watkins to Manning, 12 April 2003, ‘Baghdad: Medical Support’; Letter Manning to McDonald, 12 April 2003, ‘Iraq: Conversation with Condi Rice’.

<sup>51</sup> Letter Manning to McDonald, 12 April 2003, ‘Iraq: Conversation with Condi Rice’.

Baghdad on 12 April.<sup>52</sup> Further flights were expected in the coming days and Coalition commanders would try to ensure flights were highlighted to the media.

The Inquiry has seen no evidence of further discussion of the air bridge.

**70.** The Cabinet Office reported on 13 April that “despite media reporting of widespread looting and disruption”, the humanitarian situation continued to show “signs of stabilisation”.<sup>53</sup> The ICRC had said that security remained the greatest concern in Baghdad. Liaison between Coalition Forces and Iraqi technicians and managers on restoring and maintaining utilities had begun.

**71.** In his conversation with President Bush on 14 April, Mr Blair identified the need to improve conditions in hospitals as the top humanitarian priority and the main focus of media interest.<sup>54</sup> Baghdad was still not a safe environment for humanitarian assistance.

**72.** By the middle of April, USAID and DFID were beginning to look beyond humanitarian assistance to longer-term recovery and reconstruction.

**73.** Mr Suma Chakrabarti, DFID Permanent Secretary, visited Washington on 14 April.<sup>55</sup>

**74.** The UK Delegation to the IMF and the International Bank of Reconstruction and Development (UKDEL IMF/IBRD) reported that USAID officials had told Mr Chakrabarti that, in the absence of the expected refugee crisis, USAID would be able to divert some resources from humanitarian assistance to reconstruction.

**75.** UKDEL IMF/IBRD also reported that: “US reconstruction plans are comprehensive, and well advanced.”

**76.** A DFID team visited Kuwait from 14 to 16 April and reported on 22 April:

“Broadly, the humanitarian crisis that was feared in Iraq has not materialised. The need for acute *relief* operations has been limited. In the South, localised needs are being addressed by the military and International Committee of the Red Cross. As soon as security permits, UN agencies and NGOs are ready to begin operations on the ground – this is already happening in South and North Iraq. In Baghdad and other central towns, the humanitarian situation is more difficult.

“However, there is an urgent need for *recovery*. Key issues here include restoring law and order; restoring water, fuel and power supplies; re-opening schools, medical facilities and other public services; restoring the underlying public administration including payment of salaries ...

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<sup>52</sup> Letter Watkins to Manning, 12 April 2003, ‘Baghdad: Medical Support’.

<sup>53</sup> Paper Cabinet Office, 13 April 2003, ‘Iraq: Afternoon Round-Up, 13 April’.

<sup>54</sup> Letter Cannon to McDonald, 14 April 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 14 April’.

<sup>55</sup> Telegram 33 UKDel IMF/IBRD to FCO London, 14 April 2003, ‘Iraq: Post-Conflict – US Government Thinking, IFI and UNDP Preparations’.

“The UK military in the South are heavily focused on recovery issues ...

“Alongside recovery, there is an urgent need to begin planning for the reconstruction and reform process. A UN mandate will be required before the IFIs [International Financial Institutions] and other donors are able to fully support implementation.”<sup>56</sup>

**77.** Copies of the report were sent to No.10, the Cabinet Office, the FCO, the MOD, the Treasury, the Department of Trade and Industry (DTI) and the Attorney General’s Office.

**78.** The UK’s AO in the South was declared “permissive” by UK forces on 22 April.<sup>57</sup>

**79.** On 24 April, the UK military sought Mr Hoon’s approval for the first substantial withdrawal of ground troops from Iraq with effect from Sunday 27 April.<sup>58</sup>

**80.** The Annotated Agenda for the 15 May meeting for the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR) stated that, of the £30m available to the UK military for humanitarian relief operations in the UK’s AO, only £3m had been committed and £1m spent.<sup>59</sup> The remainder could be used for other purposes.

**81.** The UN launched its revised humanitarian appeal for Iraq on 23 June.<sup>60</sup> The UN reported that almost US\$2bn of the US\$2.22bn requested in its 28 March Flash Appeal had been made available to UN agencies; the revised appeal covered the remaining US\$259m.<sup>61</sup> Of the US\$2bn, US\$1.1bn had been made available from the OFF programme and US\$870m had been pledged by donors. The largest donors were:

- the US (providing US\$483m, some 56 percent of total donor contributions);
- the UK (US\$108m, 12 percent); and
- Japan (US\$87m, 10 percent).

**82.** At the launch, Ms Louise Fréchette, UN Deputy Secretary-General, reported that a major humanitarian crisis had been avoided.<sup>62</sup> UN pre-planning had led to the prompt restoration of the OFF food distribution system, and some of the “more dire” planning assumptions, such as large-scale population movements, had not occurred.

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<sup>56</sup> Letter DFID [junior official] to Rycroft, 22 April 2003, ‘Iraq: Engagement with ORHA’ attaching Paper DFID, 22 April 2003, ‘Iraq: ORHA – Visit Report’.

<sup>57</sup> Report MOD, 23 April 2003, ‘Iraq: Update for the Number 10 Sitrep – As at 0630 on 23 April 2003’.

<sup>58</sup> Minute Wallace to PS/Secretary of State [MOD], 24 April 2003, ‘Op TELIC: Realignment of UK Forces’.

<sup>59</sup> Annotated Agenda, 15 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>60</sup> United Nations, Press Release, 23 June 2003, *United Nations Agencies Appeal for US\$259 Million in Emergency Assistance for Iraq*.

<sup>61</sup> United Nations, June 2003, *Humanitarian Appeal for Iraq: Revised Inter-Agency Appeal 1 April – 31 December 2003*.

<sup>62</sup> Telegram 1006 UKMIS New York to FCO London, 24 June 2003, ‘Iraq: Launch of the Revised UN Humanitarian Appeal, 23 June’.

**83.** DFID pledged a further £35m towards the UN appeal, bringing DFID's total contribution to £100m.<sup>63</sup>

**84.** The Inquiry has not seen any assessment by the UK Government of the effectiveness of the UK's humanitarian assistance effort in the UK's AO/AOR.

**85.** Ms Short told the Inquiry that the efforts of the UN agencies and the Red Cross in particular had prevented a humanitarian crisis in Iraq:

“... the humanitarian thing worked because a lot of work was done by a lot of people and we played our part in that”.<sup>64</sup>

## Coalition-building

**86.** Between March and May 2003, the UK sought international partners to share the civilian and military burden in post-conflict Iraq.

**87.** Section 6.5 describes concerns expressed by UK civilian and military planners before the invasion that, in the absence of UN authorisation for Phase IV, it would prove difficult to attract international partners to share the post-conflict burden.

**88.** On 21 March, Mr Ian Lee, MOD Director General Operational Policy (DG Op Pol), sent a “Coalition Engagement Strategy for Phase IV” to the Chiefs of Staff.<sup>65</sup> Mr Lee advised: “We need to pursue this approach as a matter of urgency, since Phase IV may be almost upon us.”

**89.** The Engagement Strategy recommended that the UK inform the US of the UK's need for partners to fill Phase IV military and non-military capability gaps. Officials would then start bilateral discussions with potential partners, leading to a possible multilateral meeting “when we judge that nations feel comfortable with being openly identified”.

**90.** Mr Lee advised Mr Hoon on 26 March that initial discussions with some countries were under way, but could not be concluded without:

“... more clarity on the overall Phase IV framework ... and the legalities of our position in the absence of a UNSCR [T]hese high-level issues will, we hope, be clarified in forthcoming contact at Prime Minister/President level [at Camp David].”<sup>66</sup>

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<sup>63</sup> International Development Committee, Session 2002-2003, *Examination of Witnesses (Questions 49-59)*, 30 June 2003.

<sup>64</sup> Public hearing, 2 February 2010, page 13.

<sup>65</sup> Minute Lee to COSSEC, 21 March 2003, ‘Coalition Engagement Strategy for Phase IV’, attaching Paper, [undated], ‘Coalition Engagement Strategy for Phase IV’.

<sup>66</sup> Minute Lee to PS/Secretary of State [MOD], 26 March 2003, ‘Coalition-Building for Phase IV’.

**91.** On 27 March, the British Embassy Washington reported that the US had invited representatives of around 47 Embassies to attend an inter-agency briefing intended to generate military and civilian contributions to Phase IV.<sup>67</sup> The Embassy commented:

“Given that we have been thinking ourselves about an exercise to generate support for the UK sector in Phase IV, we will need to make sure that we deconflict this from the US effort.”

**92.** The Embassy also commented that this was separate from the US initiative to convene a small core group of countries to manage Iraq’s humanitarian and reconstruction needs. The UK, Spain, Australia, Japan and possibly a Gulf State would be approached to participate in the group.

**93.** Mr Peter Watkins, Mr Hoon’s Principal Private Secretary, advised Mr Lee on 28 March that Mr Hoon agreed that “given the likely scale of the Phase IV task, there are good practical as well as political reasons to engage early with potential partners” and that Mr Hoon had, after discussion with Sir Kevin Tebbit, MOD Permanent Under Secretary (PUS), written to the Defence Ministers of the “most willing” countries.<sup>68</sup>

**94.** On the same day, Mr Hoon informed the Ad Hoc Meeting on Iraq that he had written to selected Defence Ministers asking them to consider a military contribution to the post-conflict phase.<sup>69</sup>

**95.** On 1 April, the Cabinet Office reported that, during the core group’s first conference call, the UK, Spain, Australia and Japan had suggested that “reconstruction must go through the UN, with an early new UNSCR [resolution] and the IFIs engaged”.<sup>70</sup>

**96.** On 10 April, the FCO issued instructions to overseas posts to seek military contributions from host governments to support Phase IV in the UK sector of Iraq.<sup>71</sup> The FCO stated that the UK hoped to be able to reduce its military deployment by two-thirds during Phase IV, but advised posts to:

“... base your approaches on the need for widespread international support for consolidating security and stability and getting Iraq back on its feet, which should be a more powerful argument for potential contributors than offsetting the effects of a UK drawdown.

“We intend to continue to provide a discrete self-supporting military capability in the UK area of operation, allowing maximum flexibility to cope with whatever role we assume in Phase IV. From about September ... [w]e will be able to provide the

<sup>67</sup> Telegram 397 Washington to FCO London, 27 March 2003, ‘Iraq: Phase IV: US Coalition Building’.

<sup>68</sup> Minute Watkins to DG Op Pol, 28 March 2003, ‘Iraq: Coalition-building for Phase IV’.

<sup>69</sup> Minutes, 28 March 2003, Ad Hoc Meeting on Iraq.

<sup>70</sup> Report Cabinet Office, 1 April 2003, ‘Iraq: Evening Round-Up 1 April’.

<sup>71</sup> Telegram 33 FCO London to Rome, 10 April 2003, ‘Phase IV Military Contributions: Lobbying Instructions’.

headquarters and one of the three brigades, and we would like to make up the remaining two brigades through contributions from other nations.”

**97.** The FCO instructions were sent to UK Defence Attachés along with detailed MOD instructions on the specific contributions sought.

**98.** The same day, the US Embassy London expressed concern to the FCO that the UK’s lobbying campaign had not been co-ordinated with the US.<sup>72</sup> Countries would be offering the same assets to the US and UK.

**99.** On 11 April, Mr Peter Gooderham, Political Counsellor at the British Embassy Washington, reported that he had told the US that the UK had kept it informed at every stage and could not be expected “to wait around while they get their inter-agency act together”.<sup>73</sup> Mr Gooderham had declined a US request to “abort” the lobbying telegram.

**100.** Later that day, Mr Gooderham reported that while there was still “consternation” in the US State Department, he had managed to calm the situation.<sup>74</sup>

**101.** Mr Watkins informed No.10 on 23 April that there were “encouraging signs of interest from potential Coalition partners”, including Italy, which had secured parliamentary approval for deployment of a brigade headquarters, one battalion, 400-500 Carabinieri and a number of specialist capabilities.<sup>75</sup>

**102.** Taken together, offers of contributions provided a promising basis for a UK-led multilateral division and might produce some surplus capability. Multilateral meetings were scheduled on 30 April and 8 May to take things forward.

**103.** In parallel, senior FCO officials sought to engage the European Union (EU) and EU Member States on post-conflict issues.

**104.** The Presidency Conclusions of the European Council on 20 and 21 March stated that the EU was committed to being “actively involved” in addressing Iraq’s humanitarian needs and that it wanted effectively to “contribute to the conditions allowing all Iraqis to live in freedom, dignity and prosperity under a representative government”.<sup>76</sup> The European Council invited the European Commission and High Representative “to explore the means by which the EU might help the Iraqi people to achieve these objectives”.

**105.** Sir Nigel Sheinwald, UK Permanent Representative to the EU, interpreted the European Council Conclusions as evidence that the EU “was shaping up the right

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<sup>72</sup> Email FCO [junior official] to FCO Emergency Unit, 10 April 2003, ‘US Embassy Interest in Phase IV’.

<sup>73</sup> Email Gooderham to FCO Emergency Unit, 11 April 2003, ‘US Embassy Interest in Phase IV’.

<sup>74</sup> Email FCO Emergency Unit [junior official] to Ehrman, 11 April 2003, ‘Phase IV: Next Steps’.

<sup>75</sup> Letter Watkins to Cannon, 23 April 2003, ‘Iraq: Phase IV Contributions and Coalition-building’.

<sup>76</sup> European Commission, Press Release, 21 March 2003, *Brussels European Council 20 and 21 March 2003 Presidency Conclusions*.



way on humanitarian issues”.<sup>77</sup> Although reconstruction had not been explicitly mentioned, the EU had undertaken to contribute to a “post-Saddam Iraq”, and had directed the Commission and Council Secretariat to start planning for that. The UK needed to build on this in order to “start to heal EU divisions”, and make progress on post-conflict resolutions.

**106.** On 26 March, during the early stages of discussion in between the UK and US delegations in New York on the text of what was to become resolution 1483 (see Section 9.1), Sir Paul Lever, British Ambassador to Germany, raised concerns with Mr Peter Ricketts, FCO Political Director, about the UK’s failure to engage EU allies from the outset.<sup>78</sup> Sir Paul recalled that Mr Blair had stated in the House of Commons on 18 March, that, with the wisdom of hindsight, it would have been best if Europe had adopted a common position on Iraq, including with respect to the use of force provided the US acted through the UN and engaged seriously on Israel/Palestine. Sir Paul commented that Mr Blair’s advice had not been followed on reconstruction:

“... I hope that you [Mr Ricketts] and others will, before we get inextricably locked in to a common UK/US bilateral position on post-conflict Iraq, have the opportunity to consider whether, after our experience over the last six months, this is really where we want to be.”

**107.** Mr Ricketts relayed those views, together with those of Sir John Holmes (British Ambassador to France) and Sir Roderic Lyne (British Ambassador to the Russian Federation), to Mr Simon McDonald, Mr Straw’s Principal Private Secretary.<sup>79</sup> Mr Ricketts reported that a meeting of FCO officials earlier that day had agreed that it made sense to engage with European countries at the formative stage of the resolution, “both because we needed their support to get it through the Security Council, and because it was potentially an important part of re-establishing a good working relationship”.

**108.** On 27 March, Sir John Holmes added:

“... the bottom line is that we will need French (and German) support if a UN resolution is to pass. We are more likely to get it if we share our thinking with them at an early stage. They see the need, as we do, to save the Americans (or at least the Pentagon) from too much of a military administration which could go disastrously wrong ...”<sup>80</sup>

**109.** Sir Jeremy Greenstock, the UK Permanent Representative to the UN, confirmed to Mr Ricketts that he was “entirely alive to the opportunity of getting the Europeans and

<sup>77</sup> Telegram 367 UKRep Brussels to FCO London, 25 March 2003, ‘Iraq: Phase IV: EU Handling’.

<sup>78</sup> Letter Lever to Ricketts, 26 March 2003, ‘Iraq Reconstruction: How to Influence the Americans’.

<sup>79</sup> Minute Ricketts to Private Secretary [FCO], 26 March 2003, ‘Iraq Reconstruction Resolution: Working the Europeans’.

<sup>80</sup> Letter Holmes to Ricketts, 27 March 2003, ‘Iraq Reconstruction: Working the Europeans’.

the [Security] Council to work together on Phase IV”.<sup>81</sup> The prospects of that had been “mildly enhanced” by useful co-operation during negotiations on the resolution extending the OFF programme. Sir Jeremy added:

“The difficult calculation, of course, is how to take forward any thought of working closely with the Europeans when we have to be joined at the hip to the Americans as well.

“... we here in New York can in the end do no more than the Prime Minister manages to win in terms of flexibility from the President in Washington.”

**110.** Mr Blair spoke to President Bush by video link on the afternoon of 4 April.<sup>82</sup> Mr Blair commented that reports from discussions with European partners indicated that they would like to “find a way back”. He thought that getting the right “framework of principles” for Phase IV should help.

**111.** Mr Blair’s subsequent discussions with Mr Jacques Chirac, the French President, and Mr Gerhard Schröder, the German Chancellor, are addressed in Section 9.1.

## Post-conflict reconstruction and ORHA

**112.** Officials in the FCO, the MOD, DFID and the Cabinet Office continued to work on plans for the reconstruction of post-conflict Iraq after the start of the invasion.

**113.** UK efforts to secure a resolution authorising the post-conflict administration and reconstruction of Iraq are described in Section 9.1.

**114.** The UK’s military contribution to the combat phase (Phase III) of the military campaign in Iraq, the transition to post-conflict military operations (Phase IV) and the establishment of the UK military’s Area of Responsibility (AOR) in southern Iraq are described in Section 8.

## Responsibility for reconstruction

**115.** Ms Short held a meeting with DFID officials on 26 March to discuss Iraq.<sup>83</sup> Reflecting on recent progress to secure a resolution authorising the post-conflict administration and reconstruction of Iraq, Ms Short stated: “The important thing was for the world to know that a resolution for a UN mandate was coming.”

**116.** Officials reported a sense among departments that a resolution on reconstruction might not be achieved. Ms Short stated that under the Geneva and Hague Conventions “no changes could be made to the [Iraqi] administration by the Occupying Powers, except ... to keep systems working for civilians”. The Attorney General had been clear

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<sup>81</sup> Letter Greenstock to Ricketts, 27 March 2003, ‘Iraq Reconstruction: Working the Europeans’.

<sup>82</sup> Letter No.10 [junior official] to Owen, 4 April 2003, ‘Iraq: Prime Minister’s Video Conference with President Bush’.

<sup>83</sup> Minute Warren to Fernie, 26 March 2003, ‘Iraq: Meeting with Secretary of State’.

on that point at Mr Blair's meeting that morning. Ms Short asked her Private Office to request that the Attorney General's advice be committed to paper.

**117.** Ms Short reported that “the Prime Minister had given her responsibility for reconstruction in Iraq”. That role should be underpinned by a Cabinet Office Committee chaired by Mr Chakrabarti. Ms Short added: “This area was our lead in Whitehall and we needed to ensure that this was recognised.” Mr Chakrabarti said that he had already spoken to Sir Andrew Turnbull, the Cabinet Secretary.

**118.** Cabinet discussed Iraq on 27 March.<sup>84</sup> Looking ahead, the Iraqi economy had potential and the bureaucracy was competent. Iraq was not a failed state and should not be a burden on the international community. Mr Hoon said that securing Iraq's essential economic infrastructure had been achieved through seizing the southern oilfields almost intact. The sooner the oil could flow again, the sooner the profits could be used for the Iraqi people.

**119.** DFID produced its first substantive paper on post-conflict reconstruction at the end of March.

**120.** On 27 March, Mr Alistair Fernie, Head of DFID's Middle East and North Africa Department, sent a paper on reconstruction planning to Ms Short.<sup>85</sup> Ms Short had seen an earlier draft on 20 March.

**121.** Mr Fernie advised that officials were:

“... now thinking how to take this [the paper] forward as part of a more comprehensive DFID-led process across Whitehall, looking at the whole range of international activities needed to help Iraq recover from conflict, sanctions and years of misrule.”

**122.** Mr Fernie advised that the paper had been revised to take account of Ms Short's comments on “getting the multilateral system working to support Iraqi institutions, the importance of sustainable debt and reparations strategy, and focusing on using and developing Iraqi talent rather than bringing in too many international consultants”.

**123.** Comments had been received from the FCO, Treasury and Cabinet Office, centring on:

- what the UK would do if there were no resolution authorising reconstruction; Mr Fernie advised that, with the Attorney General's advice now in writing, “we should stick to our position that without an SCR the UK can only support humanitarian relief and basic civil administration reform to ensure public security”; and

<sup>84</sup> Cabinet Conclusions, 27 March 2003.

<sup>85</sup> Minute Fernie to Private Secretary/Secretary of State [DFID], 27 March 2003, ‘Iraq: Iraq Reconstruction Planning’ attaching Paper DFID, 27 March 2003, ‘Iraq – Reconstruction Planning: Objectives and Approach’.

- setting reconstruction planning within a wider post-conflict context.

**124.** Mr Fernie advised that the paper would be tabled at a Cabinet Office meeting the next day, when:

“We will discuss the process for the more comprehensive paper ... it will be useful to show to No.10 and the Cabinet Office that DFID is not only the natural lead on this approach but also has the human resources and experience to dedicate to it.”

**125.** Mr Fernie sent the paper to the Cabinet Office the following day, describing it as a “work-in-progress” paper setting out some “preliminary ideas on reconstruction planning”.<sup>86</sup>

**126.** Mr Fernie stated that the paper benefited from comments offered by FCO, MOD and Cabinet Office officials at a meeting chaired by DFID, which had raised wider issues about how reconstruction fitted with the UK’s overall approach to rebuilding Iraq and securing international consensus behind that approach. DFID’s view was that the UK needed to “start working now on a broader strategy which binds together the many bits of work going on across Whitehall”.

**127.** The paper stated that it was based on the assumption that “an adequate international mandate, agreed by the UN Security Council, will exist for the UK to play a full role in reforming and restructuring Iraq and its administration”.<sup>87</sup> It also stated that it was focused on DFID’s contribution to reconstruction, but had set that within a “broader context, which should be the subject of a further, more overarching UK Government strategy paper”.

**128.** While reconstruction planning needed to be informed by a long-term perspective of a country’s needs, decisions were likely to be taken soon on new governance structures and policies for Iraq, and the international community (in particular the IFIs, UN and US) were already considering what kind of reconstruction support should be provided. ORHA was likely to take decisions within a matter of days which would set the context for future reconstruction planning.

**129.** The paper adopted the (broad) objectives defined in the version of the UK’s ‘Vision for Iraq and the Iraqi People’ which had been produced for the 16 March Azores Summit.

**130.** DFID’s “core focus” in assisting Iraq’s reconstruction would be:

“... the elimination of poverty, and in particular ensuring the Iraqi Government was able to address its people’s poor health indicators and other social problems. After an initial period of continuing dependence on humanitarian assistance, Iraq’s status as a middle-income country will make it more appropriate for DFID to support

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<sup>86</sup> Letter Fernie to Drummond, 28 March 2003, ‘Iraq Reconstruction Planning’, attaching Paper DFID, 27 March 2003, ‘Iraq – Reconstruction Planning: Objectives and Approach’.

<sup>87</sup> Paper DFID, 27 March 2003, ‘Iraq – Reconstruction Planning: Objectives and Approach’.

technical assistance for the economic and institutional reforms which will underpin the reconstruction process, and help the Iraqi Government to stimulate the private sector growth, foreign investment and international lending which will enable them to address poverty.”

**131.** In pursuing those objectives, DFID would:

- Work through multilateral channels. DFID’s “overriding aim” should be to ensure that Iraq received comprehensive and prompt support from international institutions and the wider international community. DFID would “wherever possible ... seek to channel the bulk of our financial contributions through multilateral arrangements ... and complement this with targeted technical assistance in areas where DFID has expertise”.
- Tackle dependence on humanitarian assistance. Emergency relief and rehabilitation should blend with immediate reconstruction priorities.
- Plan for a short-term engagement: “given its potential wealth, we should aim for Iraq to be self-sufficient as quickly as possible, perhaps within three years, though some continuing technical assistance may prove appropriate beyond that”.

**132.** The paper stated that experience in Afghanistan had shown that the international community was slow to create tangible benefits on the ground which might demonstrate the “dividends of peace” to communities during “politically and culturally unstable post-conflict times”. DFID had “a justified reputation for relatively speedy response”, and would consider whether its existing humanitarian programme in Iraq and the additional emergency work it might fund after the conflict might provide a useful base to support wider reform in the water/sanitation and health sectors, to ensure that tangible benefits were provided to the Iraqi people relatively quickly.

**133.** The UK would find itself in a “critically responsible role” in Iraq, having been involved from the start in the military campaign. As the main ally of the US, the UK would be in a unique position to influence its engagement.

**134.** The paper concluded:

“Iraq is different to many developing countries which face shortages of well-educated and technically competent people. Using Iraq’s existing talent pool (including, with some political caution, returning exiles) as far as possible, and ensuring its relatively young population is educated to replace that pool, will be an essential investment and reduce political tension.”

**135.** Eight days after the start of the invasion, officials recommended the creation of a Cabinet Committee to oversee the UK approach to reconstruction.

**136.** Sir Michael Jay, FCO Permanent Under Secretary (PUS), discussed the Whitehall machinery for overseeing reconstruction with Sir Andrew Turnbull on 27 March.<sup>88</sup>

**137.** Sir Andrew Turnbull suggested “a Cabinet Committee chaired by the Foreign Secretary which would settle all the fundamental key questions about the reconstruction of Iraq (e.g. what sort of political system)”, with sub-committees looking at specific issues. He would ask Mr Bowen to come up with a proposal.

**138.** Sir Michael said that it was important that the Foreign Secretary was “clearly in the lead”, that DFID reconstruction activity was “restrained until the ‘big picture’ decisions” had been taken, and that the IPU was included in the architecture.

**139.** Sir Michael Jay wrote to Mr Straw later that day, proposing improvements to Whitehall co-ordination on reconstruction.<sup>89</sup> Sir Michael repeated his concern, prompted by a conversation with Mr Chakrabarti, that DFID was “still hankering after the leadership of the Iraq reconstruction agenda”. Sir Michael had discussed this concern with Sir Andrew Turnbull, who had agreed that “it was right that the FCO should take the overall Whitehall lead on reconstruction”. The “ideal structure” would be:

- a Cabinet Committee chaired by you [Mr Straw] to oversee the overall reconstruction effort in Iraq;
- a senior officials’ committee chaired by Desmond Bowen or David Manning, which would feed into the Ministerial Group; and oversee the work of a series of sub-groups, each dealing with specific aspects of the reconstruction agenda ...”

**140.** Sir Michael concluded:

“It would obviously be helpful if you could secure the Prime Minister’s endorsement for our approach in advance. We cannot guarantee that Clare Short will accept it without argument.”

**141.** Later on 27 March, Mr Bowen sent Sir Andrew Turnbull a draft minute addressed to Mr Blair, recommending the creation of an “Ad Hoc Ministerial Group on Iraq Reconstruction” chaired by Mr Straw.<sup>90</sup> Mr Bowen advised that he had opted for an ad hoc group because it was “inherently more flexible and less ponderous than a formal sub-group of DOP [the Ministerial Committee on Defence and Overseas Policy]”.

**142.** Mr Jim Drummond, Assistant Head (Foreign Affairs) OD Sec, sent Mr Bowen some first thoughts on the “reconstruction agenda” for the new Ministerial Group on 28 March:

- humanitarian assistance;
- role of ORHA: “competence and UK links with and involvement in”;

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<sup>88</sup> Minute Warren, 27 March 2003, ‘Sir Michael Jay Bilateral, 27 March’.

<sup>89</sup> Minute Jay to Secretary of State [FCO], 27 March 2003, ‘Iraq: Reconstruction: Whitehall Co-ordination’.

<sup>90</sup> Minute Bowen to Turnbull, 27 March 2003, ‘Iraq: Reconstruction’ attaching Minute [draft] Turnbull to Prime Minister, [undated], ‘Iraq Reconstruction’.

- wider UN role on reconstruction;
- political process/fate of the Ba'ath Party: "Outline plan exists, not agreed with US";
- economy: "Good contacts with US";
- reconstruction of infrastructure: "Depends on damage. Beginning now. Disagreements with US on role of Iraqis";
- SSR: "Ideas offered to US, but no plan";
- public administration reform and service delivery: "No plan yet?";
- commercial opportunities: "Needs wider policy agreement with US";
- legal issues: "Some contact with US. No firm agreement. No plan";
- disarmament: "No agreement with US on extent of involvement of UN inspectors"; and
- reintegrating Iraq into the international community.<sup>91</sup>

**143.** Sir Andrew Turnbull wrote to Sir Kevin Tebbit on 31 March, seeking his and, among others, Sir David Manning's agreement on a slightly revised version of the draft minute produced by Mr Bowen on 27 March.<sup>92</sup> Sir Andrew advised that the revised draft had already been agreed with Sir Michael Jay and Mr Chakrabarti.

**144.** The only change to Mr Bowen's draft was the substitution of the word "rehabilitation" for "reconstruction" in the name of the group.

**145.** Sir Andrew Turnbull's draft stated that as the UK moved towards the post-conflict phase, it needed "a coherent policy on an enormous range of issues, including the role of the UN, Iraqi political process, rehabilitation and reform, economic and financial issues (including debt and reparations), security sector reform and reducing our own military role".

**146.** Sir Andrew Turnbull therefore proposed:

"... a new Ad Hoc Ministerial Group on Iraq Rehabilitation reporting to you [Mr Blair]. The Foreign Secretary should chair ... Its terms of reference would be: 'to formulate policy for the rehabilitation, reform and development of Iraq'."

**147.** The new Ministerial Group would be supported by an officials group, led by the Cabinet Office and including the Head of the IPU.

**148.** The Inquiry has not seen a final version of Sir Andrew Turnbull's minute.

<sup>91</sup> Minute Drummond to Bowen, 28 March 2003, 'Iraq: Reconstruction Agenda'.

<sup>92</sup> Letter Turnbull to Tebbit, 31 March 2003, 'Iraq: Rehabilitation' attaching Minute [draft] Turnbull to Prime Minister, [undated], 'Iraq: Rehabilitation'.

**149.** Mr Chakrabarti wrote to Sir Andrew Turnbull on 1 April, confirming that the new groups proposed in Sir Andrew's draft minute to Mr Blair:

“... seem the best way to take forward the detailed implications of any SCR's content, and what can be done before its passing ... 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 in 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.”

**150.** Mr Chakrabarti attached a short note setting out some thoughts on how such a strategy might be developed and structured. He continued:

“The Cabinet Office will pull all this together, but DFID is already working on issues in our area of expertise under several of the workstreams listed. We are keen to work more closely with HMT [the Treasury], 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 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 [World] Bank and [International Monetary] Fund, UN development agencies, the EC [European Commission] and other key bilateral donors as well as the US Administration ...”<sup>93</sup>

**151.** Sir Andrew Turnbull informed Mr Straw on 7 April that Mr Blair had agreed a new committee should be established “to formulate policy for the rehabilitation, reform and development of Iraq”.<sup>94</sup> Mr Straw would chair; other members would be the Chancellor of the Exchequer, the Defence Secretary, the International Development Secretary and the Trade and Industry Secretary. The committee would be supported by a group of officials, chaired by Mr Bowen.

**152.** Mr Straw chaired the first meeting of the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR) on 10 April.

## UK concerns over participation in ORHA

**153.** Section 6.5 describes how, during March 2003, UK officials considered those rules of international law on belligerent occupation relevant to reconstruction and their implications for UK participation in ORHA.

<sup>93</sup> Letter Chakrabarti to Turnbull, 1 April 2003, ‘Iraq: Rehabilitation, Reform and Development’.

<sup>94</sup> Letter Turnbull to Straw, 7 April 2003, ‘Iraq: Rehabilitation’.



**154.** On 17 March, Mr Huw Llewellyn, an FCO Legal Counsellor, advised the IPU on the compatibility of various post-conflict activities with the rules of military occupation.<sup>95</sup>

**155.** Mr Llewellyn explained that Security Council authorisation was not required for humanitarian assistance. The position was more complicated for “rehabilitation” and “reconstruction”:

“Rehabilitation

“As I understand it, this means essential repair work, (for example to schools, hospitals, government buildings, roads). It is closely connected with basic humanitarian assistance.

“... Article 55 of the Hague Regulations requires the Occupying Power to ‘safeguard’ the capital of public buildings etc. Repair work would be consistent with that obligation ...

“Reconstruction

“You list under this heading matters such as reform of the judiciary, security sector and police reform, demobilisation, reform of government and its institutions, the education system, and the banking system ... it might also include the building of new roads and other structures to assist the regeneration of Iraq.

“Construction of entirely new roads and buildings may in some circumstances be permissible – where this is necessary for the relief effort or, for example for maintaining security or public order. As you know, the scope for action on the other issues ... is limited. Any action going beyond these limits would require Security Council authorisation.”

**156.** Mr Llewellyn offered further observations on 18 March, in which he emphasised that “sweeping” institutional and personnel changes would not be permitted.<sup>96</sup>

**157.** On 26 March, Lord Goldsmith, the Attorney General, sent Mr Blair advice requested at the Ad Hoc Meeting the previous day.<sup>97</sup> It covered:

“... the need for UN Security Council authorisation for the Coalition or the international community to establish an interim Iraqi administration to reform and restructure Iraq and its administration.”

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<sup>95</sup> Minute Llewellyn to IPU [junior official], 17 March 2003, ‘Potential Humanitarian and Reconstruction Activities in Iraq’.

<sup>96</sup> Minute Llewellyn to IPU [junior official], 18 March 2003, ‘Potential Humanitarian and Reconstruction Activities in Iraq’.

<sup>97</sup> Minute Attorney General to Prime Minister, 26 March 2003, ‘Iraq: Authorisation for an Interim Administration’.

**158.** Lord Goldsmith's view was that:

“... a further Security Council resolution is needed to authorise imposing reform and restructuring of Iraq and its Government. In the absence of a further resolution, the UK (and US) would be bound by the provisions of international law governing belligerent Occupation ... the general principle is that an Occupying Power does not become the government of the occupied territory. Rather, it exercises temporary de facto control ...”

**159.** The principles of international law as they applied to the UK and US as Occupying Powers in Iraq before and after the adoption of resolution 1483 on 22 May 2003 are summarised in the Box ‘The legal framework for Occupation’ later in this Section.

**160.** Those principles are addressed in more detail in Section 9.1.

**161.** Section 9.1 also addresses UK efforts to agree with the US a Memorandum of Understanding (MOU) on a set of principles governing activity in post-conflict Iraq.

**162.** In advance of the meeting between Mr Blair and President Bush at Camp David on 26 and 27 March, Mr Straw's Private Office sent Mr Matthew Rycroft, Mr Blair's Private Secretary for Foreign Affairs, a negotiating brief for what was to become resolution 1483, the resolution defining the roles of the UN and the Coalition in post-conflict Iraq.<sup>98</sup>

**163.** The negotiating brief, prepared by the IPU, described what was known about what would happen during the “first few weeks” after the combat phase of the military campaign:

“Immediately after the conflict, the Coalition will be in control of Iraq.

“As soon as it is safe to do so, [Lieutenant General (retired)] Jay Garner [the Head of ORHA] and his Office of Reconstruction and Humanitarian Assistance (ORHA) will arrive behind the military and become a transitional administration. Their aim will be to work with the existing Iraqi public administration, so far as possible. Garner will then take forward the reconstruction process. His people will be inserted into the top of the Iraqi ministries, with senior US officials being assigned to each ministry as ‘shadow ministers’ ...

“ORHA is understaffed and begun preparing for its task only a few weeks ago. There are now some ten or so UK secondees embedded in it. Garner would like to be out of Iraq within 90-120 days. Whether ORHA will be able to get any reform programme started in that time is moot. This period is likely to be dominated by humanitarian and security concerns.”

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<sup>98</sup> Letter Owen to Rycroft, 25 March 2003, ‘Prime Minister's Visit to Washington: Iraq: UN Security Council Resolution on Phase IV’ attaching Paper Iraq Planning Unit, 25 March 2003, ‘Iraq: Phase IV: Authorising UNSCR’.

**164.** ORHA and the Coalition might enjoy a “brief honeymoon”, but not if the Coalition seemed set on administering Iraq for more than a brief period. It was therefore necessary to put in place interim arrangements for post-conflict administration that would be accepted by the Iraqi people and the Arab and Islamic world.

**165.** A resolution would be required to authorise those interim arrangements, and to provide a legal basis for “reconstruction and reform”:

“Without a UNSCR, other countries, international organisations, the IFIs, UN agencies and NGOs will be comparatively limited in what they can do ... That would leave US/UK with no viable exit strategy from Iraq and a huge bill.”

**166.** The IPU negotiating brief stated that the task for Camp David was to build on five areas where there was already agreement between the UK and US:

- The Coalition, through ORHA, would be responsible for the administration of Iraq for the first few weeks.
- The UN should not be asked to run Iraq.
- The objective should be Security Council authorisation or endorsement for an international presence that would include the UN.
- Coalition, not UN troops would provide security on the ground.
- As soon as possible, Iraq should govern itself.

**167.** The IPU stated that differences between the UK and US positions remained significant. The IPU explained that the US approach amounted to:

“... asking the UNSC to endorse Coalition military control over Iraq’s transitional administration, its representative institutions and its revenues until such time as a fully-fledged Iraqi government is ready to take over. It would marginalise the role of a UN Special Co-ordinator. These ideas are a non-starter for the Security Council, would be denounced by the Iraqis and the wider Arab/Islamic world, and would not provide the stability needed to develop the new Iraq.”

**168.** The IPU stated that there was “still some distance to go if we are to agree a way forward to avoid an inchoate start to Phase IV”.

**169.** The IPU set out a number of “propositions” which it hoped Mr Blair and President Bush could agree. Those propositions and the progress of the negotiations on resolution 1483 are addressed in Section 9.1.

**170.** Mr Straw sent Mr Blair an FCO paper on Phase IV issues in advance of Camp David.<sup>99</sup> Mr Straw said that he hoped Mr Blair would counter any tendency by President Bush to conclude that the UN had failed over Iraq:

“... the US will need to go on working through the UN, both to authorise the post-conflict work in Iraq so that a wide range of countries can join the peacekeeping and reconstruction effort, and to provide an exit strategy for the US/UK and because the UN itself and its agencies have important expertise to offer.”

**171.** The FCO paper on Phase IV issues stated that, in addition to US agreement on a UN resolution, the UK needed US agreement on a number of other important political, humanitarian and economic issues, including:

- A Baghdad Conference. The US was still thinking of a Coalition conference with the UN in a supporting role. That was the wrong way round for international acceptability.
- The role of the Interim Iraqi Administration (IIA). An early statement of intent to hand over power to an IIA while helping the Iraqi people to build a democratic future “should go down well”. The UN Special Co-ordinator should have veto power over the IIA’s decisions.
- Humanitarian issues. UK and US efforts were substantial: “we should play them up in the media”.
- Economic issues. After several wars and 12 years of sanctions, Iraq’s oil revenues alone would not meet the “very heavy” cost of reconstruction, particularly in the short term. “We need to share the burden with other developed countries ... But contacts with them tell us they will make **their contribution conditional on there being an authorising UNSC resolution for Phase IV.**” The World Bank would need to prepare a rigorous needs assessment, but that too would probably need UN cover.<sup>100</sup>

**172.** On the UK’s bilateral effort, the paper stated that Ms Short was considering where the UK might help with the longer-term contribution to “reform and reconstruction”. SSR and reform of the public service were two areas where the UK had a comparative advantage. UK public finances were “tight”. If the UK was to keep armed forces in Iraq, “the scope for a major effort on reform and reconstruction will be limited”.

**173.** Mr Blair and President Bush met at Camp David on 26 and 27 March. Their discussions are addressed in more detail in Section 9.1.

**174.** At dinner on the first evening, Mr Blair told President Bush that he did not want his visit to Camp David to focus primarily on a UN resolution to deal with post-conflict

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<sup>99</sup> Minute Straw to Blair, 25 March 2003, ‘Camp David: Post-Iraq Policies’.

<sup>100</sup> Paper FCO, 25 March 2003, ‘Iraq: Phase IV Issues’.

Iraq.<sup>101</sup> The question about what sort of resolution was needed for the administration and reconstruction of Iraq should be parked. Mr Blair said:

“The time to debate this would come when we had secured victory, and were in a position of strength.”

**175.** Mr Blair raised Phase IV issues with President Bush the next day. They discussed the need to push for a quick agreement on the resolution to continue the OFF programme, and for a separate resolution that would free up financial and troop contributions from other nations, secure World Bank and IMF involvement and put reconstruction on the right footing.<sup>102</sup>

**176.** Mr Rycroft recorded that Mr Blair had identified the main issue as being whether the UN formed the future Iraqi government or whether the Coalition did so with UN endorsement, but that he had said “it was not helpful to expose this distinction yet”.

**177.** On 31 March, Mr Llewellyn advised Mr Dominick Chilcott, Head of the IPU, that UK military lawyers based in Kuwait were becoming alarmed at ORHA’s activities.<sup>103</sup> ORHA had issued three orders in relation to the port of Umm Qasr, including the application of US labour and customs laws, for which there was no clear legal authority. The position of UK forces, if asked to participate in related activities, was therefore uncertain.

**178.** Mr Llewellyn concluded: “If it cannot be sorted out, we may well need a decision from Ministers about whether UK forces should decline to take part in actions that we consider unauthorised or unlawful.”

**179.** The IPU sent recommendations on the UK’s future engagement with ORHA to Mr Straw on 1 April.<sup>104</sup>

**180.** The IPU advised that the UK objective of an IIA acting under UN authorisation was unlikely to be in place sooner than 90 days after the end of hostilities.<sup>105</sup> Until then, mechanisms were needed to deliver humanitarian assistance and, within the relevant legal constraints, civil administration. Without such mechanisms, those tasks would fall on the military, which had other priorities and limited resources.

**181.** The IPU listed three options:

- tasking and resourcing 1 (UK) Div to take on those tasks autonomously in areas of Iraq for which it was responsible;

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<sup>101</sup> Letter Manning to McDonald, 28 March 2003, Prime Minister’s Meeting with President Bush at Camp David: Dinner on 26 March’.

<sup>102</sup> Letter Rycroft to McDonald, 27 March 2003, ‘Prime Minister’s Meeting with President Bush at Camp David: Iraq Phase IV’.

<sup>103</sup> Minute Llewellyn to Chilcott, 31 March 2003, ‘Iraq: ORHA: Current Activity’.

<sup>104</sup> Minute Iraq Planning Unit to Private Secretary [FCO], 1 April 2003, ‘Iraq: ORHA’.

<sup>105</sup> Paper IPU, 28 March 2003, ‘Iraq: Office for Reconstruction and Humanitarian Assistance (ORHA)’.

- working through ORHA and doing what was possible to increase ORHA's institutional capacity; UK/US differences over legal issues would be likely to have an impact on the UK's ability to achieve that; and
- finding other ways to fulfil those tasks, for example through NGOs or international agencies.

**182.** The IPU noted that ORHA would administer the whole of Iraq as part of an integrated US-led approach and had large resources at its disposal, and concluded:

“We may wish to support 1 Div's capacity to carry out specific actions (eg repairing the water supply) in areas where we are responsible for maintaining security. But the logic of ORHA – a nation-wide approach to Phase IV – limits the UK's responsibilities and exposure. Carving out a separate approach in a UK sector would make no sense.

“The third option is not incompatible with this or with the second option. Indeed, DFID may well wish to go down this route as the primary means of delivering humanitarian and, in due course, reconstruction assistance. We shall need to keep under review where the balance of our overall effort lies.

“But ORHA remains the Coalition's transitional civil administration in waiting and is its primary means for delivering humanitarian assistance. And at least until the UN agencies and NGOs are present on the ground, only ORHA/Coalition Forces will be in a position to do this. This paper thus focuses exclusively on ORHA as the means for adding value and exerting UK influence in the immediate post-conflict environment.”

**183.** The IPU advised that ORHA, which was then in Kuwait, had approximately 200 staff, expected to rise to over 1,000 by the time it deployed to Iraq. The UK and Australia had each seconded six officers. Five more UK secondees were “in the pipeline” and one was working in ORHA's back office in the Pentagon. The UK secondees were “fully integrated” and “adding significant value”. At ORHA's request, the IPU was considering whether to strengthen UK representation, particularly in the areas of public relations, civil administration and humanitarian operations.

**184.** The IPU advised that Lt Gen Garner was reported to be expecting ORHA to act as the transitional administration for 30 to 90 days. The priority for the first 30 days was likely to be dealing with immediate humanitarian needs, including:

- restoration of food supplies;
- payment of public sector salaries;
- re-establishment and rehabilitation of essential public services; and
- working closely with UN staff to restart the OFF programme.

**185.** Depending on the circumstances, the UK could quite quickly be faced with “a grey area of possible activities which could move ORHA beyond the UK’s understanding of an Occupying Power’s rights and obligations”, perhaps including:

- initiation of a small business loan programme;
- abolition of Iraqi Government restrictions on private business;
- significant changes to the exchange or trade regimes;
- significant changes to the structure of the state budget; and
- SSR.

**186.** In addition, the US Department of Defense (DoD) continued to consider that the absence of a resolution need not prevent “thorough-going political and economic reform, including in areas the UK would consider to be clearly outside the UK’s understanding of an Occupying Power’s rights and responsibilities”.

**187.** The IPU concluded that, while ORHA was “in many ways a sub-optimal organisation for delivering the UK’s Phase IV objectives”, it was “the only game in town”. There was “ample scope” to use UK secondees to exert leverage over US Phase IV planning and implementation.

**188.** The IPU recommended that “the UK should continue to commit resources to ORHA where we can add real value and exert influence over emerging US perspectives and plans”. Only by “full, constructive engagement” could the UK “hope to shape the outcomes in ways that stay within UK red lines”.

**189.** The IPU also recommended that the UK should:

- continue to make clear to the US the limits within which the UK, including UK personnel within ORHA, could operate;
- seek close consultation on ORHA’s plans, to ensure that they did not cross UK “red lines”; and
- subject to those points, confirm Major General Tim Cross, the senior UK secondee to ORHA, as Deputy to Lt Gen Garner.

**190.** The Inquiry has seen no response to the IPU paper.

**191.** Mr Straw considered the question of UK support for ORHA at the first meeting of the AHMGIR on 10 April.

**192.** On 1 April, Mr Straw described the UK’s commitment to reconstruction in a speech to the Newspaper Society Annual Conference:

“Today our primary focus has to be the military campaign ... But we have given – and we are giving – a huge amount of thought to the post-conflict situation ...

“I don’t underestimate the scale of the task. Saddam has led his country to ruin ...

“Turning things round in a fully comprehensive way will not be the work of months. It is likely to take years ...

“Today I want to assure all the Iraqi people that our belief in their future prosperity is as strong as our belief in their liberation. In the short term, our approach to humanitarian relief and reconstruction will be founded on four key commitments ...

“First: there will be emergency relief over the coming days and weeks ... The Ministry of Defence has been allocated £30m ... DFID has earmarked £210m ...

“Second: we will ensure that the United Nations oversees the medium and long-term international aid programme to Iraq ... A central role for the UN will also be crucial in attracting the expertise and funds from the major international financial institutions and aid donors ...

“Third: we will work with the United Nations and others on the long term redevelopment and rehabilitation of Iraq ...

“And fourth: we will ensure that Iraq’s oil wealth will be used for the benefit of the Iraqi people, to develop the infrastructure and services the country so desperately needs.”<sup>106</sup>

**193.** Mr Llewellyn confirmed on 2 April that UK forces were now an Occupying Power in that part of Iraq in their physical control.<sup>107</sup>

### The legal framework for Occupation

It was widely understood by both the US and UK that once they had displaced the regime of Saddam Hussein, Coalition Forces would exercise authority over – and, under international law – be occupiers in Iraq.

The rules of international law on belligerent occupation relevant to reconstruction are set out principally in the 1907 Hague Regulations.

In Iraq in April 2003, the UK was considered, at a minimum, the Occupying Power in that part of South-East Iraq where its forces were physically present and exercised authority (see Section 9.1). The UK’s role alongside the US in ORHA (and then the Coalition Provisional Authority (CPA)) raised questions about whether the UK was also jointly responsible for the actions of those organisations throughout Iraq.

Article 43 of the Hague Regulations provides that the Occupying Power “shall take all the measures in his power to restore, and ensure, as far as possible, public order and safety while respecting, unless absolutely prevented, the laws in force in the country”.

Sir Michael Wood, the FCO Legal Adviser from 1999 to 2006, told the Inquiry:

“While some changes to the legislative and administrative structure may be permissible if they are necessary for public order and safety, more wide-reaching

<sup>106</sup> *The Guardian*, 1 April 2003, *Full text of Jack Straw’s speech*.

<sup>107</sup> Minute Llewellyn to Bristow, 2 April 2003, [untitled].



reforms of governmental and administrative structures are not lawful. That includes the imposition of major economic reforms.”<sup>108</sup>

United Nations Security Council resolution 1483 (2003), which was adopted on 22 May 2003, changed the legal framework for the Occupation of Iraq.<sup>109</sup>

Resolution 1483 confirmed that the administration of Iraq was the responsibility of “the Authority” (the Occupying Powers).<sup>110</sup> It also specified the role of the UN, exercised through a Special Representative to the Secretary-General (SRSG).

In June, the Legal Secretariat to the Law Officers advised that the resolution clarified the legitimate scope of activity of the Occupying Powers and authorised them to undertake actions for the reform and reconstruction of Iraq going beyond the limitations of Geneva Convention IV and the Hague Regulations.<sup>111</sup> In some cases, such actions had to be carried out in co-ordination with the SRSG or in consultation with the Iraqi interim administration.

Particular actions that the resolution appeared to mandate were:

- promoting economic reconstruction and the conditions for sustainable development;
- promoting human rights; and
- encouraging international efforts to promote legal and judicial reform.

The content and implications of resolution 1483 are described later in this Section.

**194.** Mr Tony Brenton, Chargé d’Affaires at the British Embassy Washington, warned Sir David Manning on 3 April that the UK was “in danger of being left behind” on ORHA.<sup>112</sup> The list of senior officials to “shadow” ministries in Iraq was almost complete and those officials would start deploying soon. Australia had bid for a place. The UK had not, even though the US had said it would be open to such a bid. Mr Brenton advised that:

“Following our significant military efforts we surely have an interest in following through to the civilian phase. If so, given the advanced state of US preparations, it will be important that we vigorously pursue the point at next week’s talks [at Hillsborough].”

**195.** Sir David Manning commented: “We need to decide if we want a place. Do we?”<sup>113</sup> He asked Mr Rycroft to discuss the issue with the FCO.

<sup>108</sup> Statement, 15 January 2010, pages 2 and 3.

<sup>109</sup> UN, Press Release SC/7765, 22 May 2003. *Security Council lifts sanctions on Iraq, approves UN role, calls for appointment of Secretary-General’s Special Representative.*

<sup>110</sup> UN Security Council resolution 1483 (2003).

<sup>111</sup> Letter Adams to Llewellyn, 9 June 2003, ‘Iraq: Effect of Security Council Resolution 1483 on the Authority of the Occupying Powers’.

<sup>112</sup> Letter Brenton to Manning, 3 April 2003, ‘Post Conflict Iraq’.

<sup>113</sup> Manuscript comment Manning, 4 April 2003, on Letter Brenton to Manning, 3 April 2003, ‘Post Conflict Iraq’.

**196.** As part of the preparation for his meeting with President Bush at Hillsborough on 7 and 8 April, Mr Blair requested information on six issues:

- the duration of each post-conflict phase;
- a summary of the tribes, regions and governorates of Iraq;
- a summary of exile groups and their credibility;
- the UK's "vision" of how the UN Special Co-ordinator might work with Coalition Forces;
- an assessment of "how ORHA and then the IIA will actually run Iraqi ministries"; and
- an assessment of the state of the Iraqi civil service and bureaucracy.<sup>114</sup>

**197.** The FCO sent papers on each of those issues to No.10 on 4 April.<sup>115</sup> Three had been produced by the IPU and three by FCO Research Analysts.

**198.** The IPU paper on the post-conflict phases emphasised the timetable's dependence on a range of factors:

- the permissiveness of the security environment;
- the emergence of credible Iraqi leaders;
- Iraqi attitudes towards the Coalition; and
- the extent of Phase III damage to infrastructure.<sup>116</sup>

**199.** The IPU stated that the Iraqi people were likely to be more co-operative after a "swift and relatively clean collapse" of Saddam Hussein's regime. Lt Gen Garner's working assumption was that ORHA would fulfil its role for 30 to 90 days. Over time, its legitimacy in Iraqi eyes would decline and pressure would increase for it to get involved in reconstruction and reform work that exceeded what was legal for an Occupying Power. The UK would therefore want "a fairly rapid transition to an Iraqi Interim Authority – while allowing some time for credible leaders to emerge from within Iraq".

**200.** In a paper on "How ORHA and then the IIA will actually run the Iraqi ministries", the IPU stated that the UK's vision for Iraq was a transition from a command economy with a corrupt public administration to a democratic state with a liberal, market economy and a public sector that served the interests of its people, "something comparable to the transformations of central European countries after the fall of the Berlin wall".<sup>117</sup>

**201.** The IPU reported that Lt Gen Garner planned to deploy ORHA to Baghdad as soon as it was safe to do so and to establish, with the Coalition military, a "Coalition Provisional Administration" with control over the civil administration of Iraq.

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<sup>114</sup> Letter Rycroft to Owen, 3 April 2003, 'Post-Conflict Iraq: UK/US'.

<sup>115</sup> Letter Owen to Rycroft, 4 April 2003, 'Post-Conflict Iraq: UK/US'.

<sup>116</sup> Paper Iraq Planning Unit, 4 April 2003, 'Iraq: Post Conflict Phases: Timing'.

<sup>117</sup> Paper Iraq Planning Unit, 4 April 2003, 'How ORHA and then the IIA will actually run the Iraqi ministries'.

**202.** The US intended to put a senior US official and a small group of Iraqi exiles into each ministry, having removed “undesirable elements”. US officials would work as advisers to Iraqi ministries, which would be “headed by Iraqi secretaries-general”. In practice, the advisers would oversee the work of the ministries and, in due course, begin their reform and restructuring. The US understood the importance of calling those officials “advisers”, rather than “shadow ministers”.

**203.** The IPU reported that there was “a bitter inter-agency dispute in Washington” over the list of US officials and Iraqi exiles. The UK had been invited to nominate British advisers, but had made clear the need to be sure of the legal basis for their activities.

**204.** Once the IIA had been established, there would be a phased transfer of “the direction” of Iraqi ministries. The US intended that the Coalition Provisional Administration should retain “considerable control” over the IIA’s handling of ministries. The UK considered that to be “politically unsellable” and “unlawful”.

**205.** The UK model for the IIA was based on the Supreme National Council for Cambodia (the model proposed in the FCO paper ‘Models for Administering a Post-Saddam Iraq’ in October 2002, see Section 6.4), which met regularly and took decisions that would be implemented provided the UN Special Representative did not object.

**206.** The IPU concluded:

“All the evidence suggests that the IIA will assert its independence vigorously from the outset. A stately transfer of ministries’ powers from the Coalition to it may not be politically possible. But a light supervisory role for a UN Special Co-ordinator may be acceptable as the price the Iraqis have to pay for the international community’s support to nation building. This might finally convince the US too.”

**207.** The IPU paper on the UN Special Co-ordinator envisaged the appointee co-ordinating humanitarian and reconstruction assistance, exercising “a light degree of supervision” over the IIA, and helping with preparations for the Central Iraq Conference (a consultative conference that took place in Baghdad on 28 April, described in Section 9.1).<sup>118</sup> Direct UN administration of Iraq would cross “a red line for the US and, probably, the Iraqis themselves”.

**208.** The FCO Research Analysts’ paper on tribes, regions and governorates described the role of Iraq’s tribes as “a question for the future”.<sup>119</sup> Too much autonomy and they could become a rival to the state. If they were ignored, “a potentially useful counterweight to religious leaderships with political ambitions could be lost in the period during which the new state will be forming”. Iraqi interlocutors maintained that, unlike in Afghanistan, because much of the country was flat, it was “relatively easy for control to be exercised over the whole country (the Kurdish mountains being the main exception)”.

<sup>118</sup> Paper Iraq Planning Unit, 4 April 2003, ‘UN Special Co-ordinator’.

<sup>119</sup> Paper Research Analysts, 4 April 2003, ‘Tribes, Regions and Governorates of Iraq’.

**209.** The Defence Intelligence Staff (DIS) produced a more detailed paper on tribal dynamics in Iraq and the UK AOR for the Chiefs of Staff on 11 April.<sup>120</sup>

**210.** The FCO Research Analysts' paper on opposition groups distinguished between those that were credible in Iraq and those that had courted US support, with the two main Kurdish groups straddling the divide.<sup>121</sup> The UK needed to balance the views of "external oppositionists who have experience of working in free democratic structures" with the need "immediately" to involve those in Iraq.

**211.** The third paper by FCO Research Analysts, on the state of the Iraqi civil service and bureaucracy, described "a very mixed picture".<sup>122</sup> A large number of able technocrats had kept the country going in difficult circumstances, while corruption and nepotism had been given free rein at different levels. The UK had:

"... a fairly clear idea of how big the civil service is (about 1 million employees), how it is structured and how ... employees are paid. We do not have any deep knowledge about which levels of the administration are so highly politicised as to need immediate reform, nor which individuals might have to be retired or stood down. This in any case cannot realistically be assessed until after liberation.

"Once Saddam Hussein's regime has been ousted, it will certainly be necessary to remove those who effectively enabled the regime to stay in power. Others, even if members of the Ba'ath or guilty of minor transgressions, should probably be left in place if possible in order to keep the machinery of the state running. However, our (as yet limited) experience inside Iraq gives the warning that officials may in any case abandon their posts, possibly to seek sanctuary with relatives of their tribes ...

"Iraqis have reminded us that many competent people now in exile left the civil service, retired early, or were not promoted because they were not sufficiently Ba'athist. They may represent a pool who can be called upon if this can be done without causing resentments or new accusations of nepotism."

**212.** On 8 April, Mr Rycroft reported the outcome of Mr Blair's discussions with President Bush at Hillsborough to Mr Straw's Private Office.<sup>123</sup> Mr Blair had stressed to President Bush the importance of a "joint strategy for the next phase" and of ensuring "legitimacy at every stage"; keeping the UN representative involved would help to ensure UN endorsement.

**213.** Mr Blair emphasised the importance of having the UN involved, in order to engage IFIs and bilateral donors, and to "secure our own exit".

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<sup>120</sup> Minute SECCOS to PSO/CDS, 11 April 2003, 'OP COS Action: Tribal Factions in Iraq', attaching Paper, [undated], 'Tribal Dynamics in Iraq'.

<sup>121</sup> Paper Research Analysts, April 2004, 'Iraqi opposition groups'.

<sup>122</sup> Paper Research Analysts, 4 April 2003, 'The state of the Iraqi civil service and bureaucracy'.

<sup>123</sup> Letter Rycroft to McDonald, 8 April 2003, 'Iraq: Prime Minister's Meeting with Bush, 7-8 April'.

**214.** A public statement made jointly by President Bush and Mr Blair after the meeting stated that the UN had “a vital role to play in the reconstruction of Iraq”.<sup>124</sup>

**215.** Also on 8 April, Baroness Symons, joint FCO/DTI Minister of State for International Trade and Investment, met representatives of UK companies to discuss commercial opportunities in Iraq.<sup>125</sup> She made it clear that the UK was “not in this conflict for business opportunities”, but that UK companies had a great deal of expertise and knowledge to offer and should be involved in the redevelopment of Iraq, for the benefit of the Iraqi people.

### The MOD’s Red Team

Section 6.5 describes the creation of a small “Red Team” in the MOD Defence Intelligence Staff (DIS) in February 2003. The Red Team was intended to give the Chiefs of Staff and key planners in the MOD and Whitehall an independent view of intelligence assumptions and key judgements, to challenge those if appropriate and to identify areas where more work was needed.<sup>126</sup>

The Red Team produced two reports before the invasion (see Section 6.5). Three more were produced before the Red Team was disbanded on 18 April:

- ‘What will Happen in Baghdad?’;
- ‘The Future Governance of Iraq’;
- ‘The Strands of the Rope’ (an assessment of the steps needed to achieve an effective Iraqi Interim Administration and hand over to a representative government of Iraq).

On 7 April, the Red Team issued a report on the likely developments in Baghdad in the days, weeks and months ahead:

“The security apparatus works on fear, not professionalism. With the removal of fear there may well be a widespread law and order problem. The police are all Ba’ath members and cannot initially be trusted until the worst Ba’athists are identified and removed. According to one military interlocutor, the RA [regular army] is the only respected national institution and could be used for internal security duties, if better trained and equipped.

“Once Saddam is gone there is likely to be widespread and apparently random violence between Iraqis. Specific attacks against Coalition Forces are likely to come later (perhaps some months later) if particular individuals or groups feel they are being cut out of contracts, administration positions etc. They may then hire ‘submerged’ paramilitary thugs to redress their grievances.”<sup>127</sup>

<sup>124</sup> US Department of State Archive, 8 April 2003, *Joint Statement by President George W Bush and Prime Minister Tony Blair*.

<sup>125</sup> Minute Allan to PS/Baroness Symons, 8 April 2003, ‘Iraq: Record of Meeting with UK companies’.

<sup>126</sup> Minute PS/CDI to various, 25 February 2003, ‘Iraq: Red Teaming in the DIS’.

<sup>127</sup> Minute PS/CDI to APS2/SoS [MOD], 7 April 2003, ‘Iraq Red Team – What will Happen in Baghdad?’ attaching Paper DIS Red Team, [undated], ‘What will Happen in Baghdad?’

On the role of the Ba'ath Party, the Red Team stated:

“To be a Ba'athist does not necessarily mean an individual is a hard core supporter of the regime. Most joined to advance their careers or under duress (mostly government employees). In every government department there is a hard-core ...

“It will require detailed inside knowledge to identify the ‘bad apples’ in any organisation; it may not necessarily be the head of the organisation, it could be the number two or three, or someone even further down the hierarchy. Outsiders, particularly Westerners – who lack detailed knowledge of pre-war political agendas which are unconnected with the Saddam regime – may need to exercise caution to ensure they do not become unwitting agents in any infighting in any existing Iraqi organisations that are kept in place.”

The Red Team concluded:

“Historically there is trouble in Iraq whenever central authority is weakened. It may therefore be advisable to maintain a Coalition military government longer than currently envisaged ...”

On 11 April, in a report on the future governance of Iraq, the Red Team listed five steps for the successful establishment of a long-term representative Iraqi government:

- Establishing a peaceful and secure environment.
- Answering immediate humanitarian needs.
- Establishing an effective Interim Administration.
- Re-establishing the rule of law ...
- A constitutional process leading to elections and the withdrawal of Coalition Forces.”<sup>128</sup>

The Red Team concluded that the Coalition would have to make use of indigenous Iraqi security forces to establish and maintain law and order. The Iraqi Army was described as the “most trusted and least corrupt national security institution”. It was “Iraq’s oldest institution and a focus of national pride. Some senior officers and units have remained sufficiently detached from the regime to be of use.” The Iraqi Army could not be used everywhere. In the south-east “the Marsh Arabs have cause to hate them”, but they would be respected and preferred to Coalition Forces in many areas. In contrast, the civil police were “a largely discredited and demoralised force ... viewed as auxiliaries to the Ba'athist security apparatus”. However, the Red Team assessed that, in the short term, it might be worth “making use of them with appropriate direction and supervision from Coalition forces”.

In its final report, ‘The Strands of the Rope’, issued on 18 April, the Red Team emphasised the immediate need to re-institute the rule of law in Iraq, using ex-Ba'ath personnel (“accompanied by a well-publicised and effective screening process that will remove

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<sup>128</sup> Minute PS/CDI to APS2/SoS [MOD], 11 April 2003, ‘Iraq Red Team – the Future Governance of Iraq’ attaching Paper DIS Red Team, [undated], ‘Iraq Red Team: the Future Governance of Iraq’.

the worst offenders”) and the existing Iraqi legal code, stripped of the more repressive elements introduced by Saddam Hussein’s regime.<sup>129</sup> The Red Team judged that:

“If the IIA can provide a secure environment (including the rule of law), resolve short-term economic problems and address immediate humanitarian needs, future Iraqi-led government structures and a process of justice and reconciliation will emerge naturally, given time.”

## Decisions to increase UK support for ORHA

**216.** On 9 April, in his budget statement to the House of Commons, Mr Gordon Brown, the Chancellor of the Exchequer, announced that he had set aside “an additional US\$100m” to “back up the UN and the work of reconstruction and development” (see Section 13.1).<sup>130</sup>

**217.** On 15 April, Mr Boateng advised Ms Short how those funds could be drawn down.<sup>131</sup> He understood that DFID did not need access to additional funds immediately, given that humanitarian and reconstruction work was at a very early stage, and that DFID had £95m of uncommitted resources, but he fully expected DFID to bid for additional funding for Iraq “in the next few months”. Before DFID drew on the new allocation, Ms Short should write to him, setting out her proposals for how the additional money would be spent.

**218.** Mr Straw chaired the first meeting of the AHMGIR on 10 April.<sup>132</sup> Mr Straw told the meeting:

“The prospects for further UN Security Council resolutions were uncertain and negotiations were very likely to take weeks.”

**219.** Lord Goldsmith said that he was content for ORHA to undertake humanitarian, security and public order duties and to restore civilian administration but “it must be careful not to impose reform and restructuring without further legal authority”. US and UK lawyers would try to agree a Memorandum of Understanding to define how the UK would be consulted.

**220.** Summing up the discussion, Mr Straw described the meeting’s agreement that “the UK should retain a right of veto in extremis” on ORHA activities. UK support should increase and be formalised through:

- confirmation of Maj Gen Cross’s position as one of Lt Gen Garner’s deputies;
- an increase in the number of UK secondees;

<sup>129</sup> Minute PS/CDI to APS2/SoS [MOD], 18 April 2003, ‘Iraq Red Team – The Strands of the Rope’ attaching Paper DIS Red Team, [undated], ‘Iraq Red Team: The Strands of the Rope’.

<sup>130</sup> House of Commons, *Official Report*, 9 April 2003, column 271.

<sup>131</sup> Letter Boateng to Short, 15 April 2003, ‘Budget announcement on Iraq’.

<sup>132</sup> Minutes, 10 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

- provision of a UK spokesman; and
- UK leadership of an ORHA group on “security sector management and planning for security sector reform”.

Mr Straw would write to Mr Blair on that point.

**221.** On 13 April, before Mr Straw had written, Mr Blair told his No.10 team that the UK “should put as many UK people in [ORHA] as possible to help”.<sup>133</sup>

**222.** Mr Straw visited ORHA in Kuwait on 14 April. During his visit, Maj Gen Cross presented him with a “‘Must – Should – Could’ paper”, listing ORHA posts which the UK should consider filling if it were going “to play a full part in the post-war business, and if we wanted to ensure influence with the US”.<sup>134</sup>

**223.** Mr Moazzam Malik, Head of DFID’s Iraq Humanitarian Response and Co-ordination Team, called Ms Short’s Private Office from Kuwait on 15 April.<sup>135</sup>

Mr Malik reported:

“... ORHA is incredibly awful – badly conceived; badly managed; US driven; failing; and incapable of delivering to our timeframes. There may be things we could do to support it, but it would be a political judgement (and a big political risk).”

**224.** Mr Malik also reported that he was:

“... very, very impressed with the UK military. They are doing an extremely good job ... using the sort of language you would expect DFID people to use ...”

**225.** Mr Straw wrote to Mr Blair on 15 April, following his return from Kuwait, recommending that the UK should significantly increase its political and practical support to ORHA, including by seconding significant numbers of staff into priority areas.<sup>136</sup> In return, the UK wanted the US to commit to transparency and joint decision-making (see Section 9.1).

**226.** Mr Straw stated that the US’s intention was:

“... that ORHA will oversee the Phase IV humanitarian and reconstruction effort and restore normal functioning of Iraqi ministries and provinces, with the aim of phased restoration of full control of government to the Iraqis themselves. In doing so, the US intends that it will work as far as possible with and through existing ministries in Baghdad. A team within ORHA will work on constitutional issues including setting up the Iraqi Interim Authority (IIA). The US also envisage the establishment of ORHA ‘regional offices’ in the provinces.”

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<sup>133</sup> Note Blair to Powell, 13 April 2003, ‘Note’.

<sup>134</sup> Statement Cross, 2009, pages 18 and 19.

<sup>135</sup> Minute Bewes to Secretary of State [DFID], 15 April 2003, [untitled].

<sup>136</sup> Letter Straw to Prime Minister, 15 April 2003, ‘Iraq: Office for Reconstruction and Humanitarian Assistance (ORHA)’.



**227.** Mr Straw reported that the UK’s approach to ORHA had been “cautious”. The UK would have preferred an organisation less closely tied to the Pentagon and less subject to US inter-agency politics. There were also significant legal questions. Against that background, the UK had seconded 12 military and civilian officers to ORHA in Kuwait and the Pentagon. Their role was to influence ORHA’s thinking on key Phase IV issues and to ensure that information flowed from theatre to the UK Government, including on commercial opportunities.

**228.** Mr Straw continued:

“... whatever its shortcomings, ORHA will be the essential element in the ability of the Coalition to carry its military successes into the post-conflict phase. The legal constraints are unlikely to be a problem in the first stage of ORHA’s work, which will be focused on immediate humanitarian and reconstruction needs, including the restoration of a functioning civil administration ...

“I therefore recommend a step change in the resources and personnel we offer ... We are working urgently to establish where we can best make a contribution and how this will be funded.

“We now need an immediate effort across Government and with the private sector to get UK experts into key Iraqi ministries quickly. Patricia [Hewitt] is particularly keen that we should appoint people to the economic ministries ...”

**229.** Sir David Manning commented to Mr Blair:

“J[ack] S[traw] rightly calling for a step change in our contribution to ORHA. But legal constraints/possible veto power may be problematic.”<sup>137</sup>

**230.** Mr Straw described his visit to ORHA in Kuwait in his memoir:

“I could not believe the shambles before my eyes. There were around forty people in the room, who, somehow or other, were going to be the nucleus of the government of this large, disputatious and traumatised nation.”<sup>138</sup>

**231.** Maj Gen Cross sent his “Must – Should – Could” paper to the MOD and the IPU on 15 April.<sup>139</sup>

**232.** The “musts” included:

- a secondee to ORHA’s Leadership Group;
- three secondees to ORHA’s public affairs and media office;

<sup>137</sup> Manuscript comment Manning to Prime Minister, 16 April 2003, on Letter Straw to Prime Minister, 15 April 2003, ‘Iraq: Office for Reconstruction and Humanitarian Assistance (ORHA)’.

<sup>138</sup> Straw J. *Last Man Standing: Memoirs of a Political Survivor*, MacMillan, 2012.

<sup>139</sup> Minute Cross to MOD (MA/DCDS(C)), 15 April 2003, ‘ORHA posts UK manning: must/should/could’.

- three or four advisers to support Iraqi ministries involved in SSR (Defence, Interior and Justice); the UK had been asked to lead ORHA's "Internal Security" cross-cutting group; and
- UK secondees to strengthen each of the three (or possibly four) ORHA regional teams to ensure the UK remained "fully 'joined-up'" with all parts of ORHA.

**233.** The "shoulds" included a UK civilian to lead the ORHA regional office covering central Iraq, and advisers in the oil and finance sectors.

**234.** Maj Gen Cross advised that, if all the recommendations were accepted, the number of UK staff would rise from 19 to "about 100" within an ORHA total of 1,500 (including force protection and support staff).

**235.** On 15 April, the IPU informed Sir Michael Jay that the Cabinet Office was "clear" that the FCO should continue to lead on deployments to ORHA.<sup>140</sup> The IPU had requested extra staff to cover the "major surge of work" in managing the secondment of UK officials to ORHA, and was trying to identify funding. It estimated that the first UK secondees would be required by early May.

**236.** Section 15 addresses the recruitment of additional UK secondees to ORHA. It shows that there were no contingency preparations for the deployment of more than a handful of UK civilians to Iraq and that the UK's response was hampered by the absence of cross-Whitehall co-ordinating machinery and a lack of information about what ORHA needed.

**237.** On 16 April, at the request of the FCO, the JIC produced an Assessment, 'The initial landscape post-Saddam'.<sup>141</sup> The JIC stated:

"The situation in Iraq is complex, fast-moving and confused ...

"There has been jubilation at the fall of Saddam Hussein's regime. But we judge that this is likely to dissipate quickly. Most of the Iraqi population is ambivalent about the role of the Coalition and uncertain about the future. Initial reporting shows that concerns arise quickly about the breakdown of law and order and the need for food and water. Some pre-war reports suggested that the Iraqi population has high, perhaps exaggerated, hopes that the Coalition will rapidly improve their lives by improving their access to clean drinking water, electricity and sanitation. However, even without any war damage, there are severe shortfalls in the infrastructure of these sectors, and in healthcare. Looting has made matters worse ...

"There is no sign yet of widespread popular support for opposition to the Coalition. We judge that, at least in the short term, the details of the post-Saddam political process will be less important for many Iraqis than a restoration of internal security

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<sup>140</sup> Minute Chatterton Dickson to PS/PUS [FCO], 15 April 2003, 'Iraq: ORHA: PUS's meeting with Permanent Secretaries, 16 April'.

<sup>141</sup> JIC Assessment, 16 April 2003, 'Iraq: the initial landscape post-Saddam'.

and the start of reconstruction. But the Iraqi population will blame the Coalition if progress is slow.”

**238.** Also on 16 April, General Tommy Franks, Commander in Chief US Central Command (CENTCOM), issued his “Freedom Message to the Iraqi People”, which described the role of the Coalition Provisional Authority (CPA).<sup>142</sup> Section 9.1 describes how the creation of the CPA signalled a major change in the US approach to Iraq, from a short military Occupation to an extended civil administration, and concludes that the UK was slow to recognise that change.

**239.** The question of whether the UK should take on general responsibility for a geographical area of Iraq in the post-conflict period had been put to Mr Blair’s meeting on post-conflict issues on 6 March 2003 (see Section 6.5).<sup>143</sup> No decision had been taken.

**240.** On 16 April, the AHMGIR, chaired in Mr Straw’s absence by Mr Hoon, commissioned advice on whether the UK should lead one of ORHA’s regional offices.<sup>144</sup>

**241.** In response, later that day, Mr Drummond sent Sir David Manning an IPU paper recommending that the UK defer making a commitment to lead an ORHA regional office until a scoping study had been carried out to determine the practical implications of such a decision, including the costs.<sup>145</sup> The IPU paper was also sent to Mr Straw’s Private Office.

**242.** The IPU paper reported that the US had not yet decided on the number of ORHA regional offices. One possibility was a four region structure consisting of Baghdad, northern and eastern border provinces, central Iraq and southern Iraq.

**243.** The IPU stated that the UK remained concerned that US policy in Iraq would not be consistent with the UK’s understanding of the rights and responsibilities of an Occupying Power. If a UK-led ORHA region included within it areas occupied by US forces, the UK would have legal responsibility for their actions but no practical way to control them.

**244.** The IPU advised that the UK therefore needed to decide whether in principle it wanted to lead a regional office covering a region coterminous with that in which 1 (UK) Div was responsible for maintaining security. If Ministers wanted to pursue that option, a number of fundamental questions needed urgent answers, including how the UK-led regional office would relate to UK forces.

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<sup>142</sup> Statement Franks, 16 April 2003, ‘Freedom Message to the Iraqi People’.

<sup>143</sup> Letter Cannon to Owen, 7 March 2003, ‘Iraq: Post-Conflict Issues’.

<sup>144</sup> Minutes, 16 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>145</sup> Minute Drummond to Manning, 16 April 2003, ‘Iraq: Support for ORHA Regional Office’ attaching Paper IPU, 16 April 2003, ‘Iraq: ORHA Regional Offices’.

**245.** The paper set out arguments for and against taking on an ORHA regional office. The arguments in favour included:

- the opportunity to influence ORHA at the operational as well as policy level; and
- the possibility of promoting an “exemplary” approach to the relationship between the civil and military arms of the Coalition if the ORHA region matched the UK AOR.

**246.** The arguments against were:

- the reputational risks associated with creating a region where the UK had a high profile (“If the Coalition Provisional Authority ran into difficulty ... this would impact on the UK’s standing in Iraq to a greater degree than if we remained a (junior) partner in ORHA without a clear regional responsibility”);
- limited resources; and
- if ORHA/the US failed to provide resources for activities in the UK-led region, the UK could be faced with the choice of finding resources itself or “being seen to fail in the eyes of the local population and more widely”.

**247.** Sir David advised Mr Blair:

“I think you will have to give firm direction. My own view is that we should accept the risks and lead a regional office to cover area for which we have military responsibility.”<sup>146</sup>

**248.** Mr Blair chaired the Ad Hoc Meeting on Iraq on 17 April.<sup>147</sup>

**249.** Ms Short expressed reservations about suggestions that DFID should fund the extra staff for ORHA.

**250.** Mr Blair concluded that ORHA:

“... was important in getting Iraq back on its feet. We should have influence inside it. He was sympathetic to the British taking a regional lead in the Office, and wanted the scoping study completed quickly so that final decisions could be made on our participation. On the proposal for an additional contribution to the Office [ORHA], work should proceed quickly to identify posts and potential candidates. The issue of funding should be addressed ... before Ministers met on 24 April. There should be no bureaucratic hold up in sorting out this priority.”

**251.** Mr Rycroft wrote to Mr McDonald later that day, confirming that it was Mr Blair’s view that the UK should increase support for ORHA and that it should take on

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<sup>146</sup> Manuscript comment Manning to Prime Minister on Letter Drummond to Manning, 16 April 2003, ‘Iraq: Support for ORHA Regional Office’, attaching Paper IPU, 16 April 2003, ‘Iraq: ORHA Regional Offices’.

<sup>147</sup> Minutes, 17 April 2003, ‘Ad Hoc Meeting on Iraq’.

responsibility for an ORHA regional office “unless the scoping study concludes that this is impossible”.<sup>148</sup>

**252.** Mr Rycroft also recorded Mr Blair’s view that:

“As a general rule, our role in humanitarian aid and in the reconstruction of Iraq should be commensurate with our contribution to the military phase.”

**253.** Mr Rycroft advised that Mr Blair believed that the US\$100m made available to DFID in the 9 April Budget statement should be used to support ORHA, including funding secondees to ORHA from other UK Government departments.

**254.** Ms Short told DFID officials that she had outlined the conclusions of Mr Malik’s report at the Ad Hoc Meeting on Iraq.<sup>149</sup> DFID would not be able to pay for ORHA’s inefficiency. Putting in large numbers of people might make the situation even worse.

**255.** Lt Gen Garner, accompanied by Maj Gen Cross and other ORHA staff, left Kuwait to fly into Baghdad on 21 April.<sup>150</sup>

**256.** In response to the decision at the Ad Hoc Meeting on Iraq on 17 April to increase and formalise UK support for ORHA, Sir Michael Jay wrote to Sir Andrew Turnbull on 22 April, inviting all Permanent Secretaries urgently to set in hand arrangements to identify volunteers for secondment to ORHA.<sup>151</sup>

**257.** Sir Michael attached an IPU list of initial priority areas for UK support to ORHA’s work on strengthening Iraqi ministries, “based on advice from UK secondees in ORHA”. Priority areas included:

- priority one (“must fill”): defence, SSR and intelligence; interior, policing, justice and prisons; the Oil Ministry; all ministries relevant to infrastructure; central banking;
- priority two (“should fill”): finance, foreign affairs, customs and health; and
- priority three (“could fill”): education, culture, local government; and labour and social affairs.

**258.** In his letter, Sir Michael described in broad terms the personal qualities and skills volunteers should possess:

“The key to a successful secondment will be enthusiasm, personal impact, resilience, flexibility and the ability to take a wide top-down view of policy and

<sup>148</sup> Letter Rycroft to McDonald, 17 April 2003, ‘Iraq: ORHA’.

<sup>149</sup> Minute PPS [DFID] to Miller, 17 April 2003, ‘Iraq Cabinet Readout: 17 April’.

<sup>150</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009; Statement Cross, 2009, page 20.

<sup>151</sup> Letter Jay to Turnbull, 22 April 2003, ‘Iraq: UK Support for the Office for Reconstruction and Humanitarian Assistance (ORHA)’ attaching Paper IPU, April 2003, ‘Provisional Estimate of Priority Areas for UK Engagement in ORHA Assistance to Iraqi Ministries’.

priorities. The ability to deploy quickly is also essential: ideally, we want the first volunteers to reach Baghdad on around 5 May, to allow them to shape ORHA's work and approach from the start ...

"In all cases, enthusiasm and personal qualities are likely to be just as important as specific expertise."

**259.** The IPU list attached to Sir Michael's letter drew heavily on Maj Gen Cross' earlier "must/should/could" list, but incorporated a number of changes including:

- upgrading the Oil Ministry to "must fill", citing UK commercial interests and the presence of major Iraqi oil installations in the UK's AOR; and
- upgrading infrastructure ministries to "must fill", citing the "important commercial dimension".

**260.** The IPU list only considered ORHA's work to strengthen Iraqi ministries. It did not identify staffing requirements for ORHA's regional offices or for ORHA's senior management team. Maj Gen Cross had listed UK support for ORHA regional offices as "must fill", the provision of a UK civilian to lead an ORHA regional office as a "should fill", and had identified a senior individual to join Garner's senior management team as a "must fill".

**261.** On the same day as Sir Michael Jay's request for volunteers, Ms Short's Private Office sent Mr Malik's report on his visit to ORHA in Kuwait to No.10, the Cabinet Secretary, the Cabinet Office, the FCO, the MOD, the Treasury, DFID, the DTI and the Attorney General's Office.<sup>152</sup>

**262.** Mr Malik's report stated that ORHA was "simply not prepared" to meet the immediate recovery needs in Iraq; those would need to be addressed by the military and, security permitting, by UN agencies and NGOs.

**263.** Mr Malik assessed that ORHA was more focused on longer-term reconstruction and reform. A number of large USAID contracts had been let, and there was "some good thinking" in a number of reform areas, but it remained to be seen whether ORHA's plans and contracts were flexible enough to respond to conditions on the ground. ORHA's teams and pillars were not well co-ordinated and there was "little sense of a unifying strategy".

**264.** ORHA's plans for reconstruction and civil administration were broad and not obviously limited to those of an Occupying Power; UK collaboration would therefore require further legal advice.

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<sup>152</sup> Letter DFID [junior official] to Rycroft, 22 April 2003, 'Iraq: Engagement with ORHA' attaching Paper DFID Humanitarian Response and Coordination Team, 22 April 2003, 'Iraq: ORHA – Visit Report'.

**265.** The ORHA(South) team had, to date, proved largely ineffective. UK forces had now begun to plan on the basis that they would get little practical support from ORHA in the immediate recovery phase.

**266.** The covering letter from Ms Short's Private Office stated:

"The visit report ... has clear implications for the planned Ministerial discussion [at the Ad Hoc Ministerial Group on Iraq Rehabilitation on 25 April] regarding UK secondments to ORHA. Given the competing claims on scarce resources to support Iraq, Ministers will wish to prioritise any staff deployments carefully. Ministers and Accounting Officers will also wish to satisfy themselves that any UK secondments to ORHA meet the usual standards of effectiveness and cost efficiency."

**267.** Sir David Manning commented: "Very unhelpful. More than a whiff of 'not invented here' so won't support/try to improve."<sup>153</sup>

**268.** An annex to Mr Malik's report, marked "Not for circulation outside DFID" and not sent to No.10 or other departments, added:

"Overall, engagement with ORHA is very high risk. Across the board, staffing is thin, management is weak, officials are frustrated, there is poor strategy/planning, weak internal communications and decision making. Equally, it could be argued that engagement would help address these weaknesses.

"Poorly worked out plans could do damage on the ground. Equally, there are areas in which good teams have been assembled and good planning is underway. In these areas, ORHA will set the agenda or reform for some years to come.

"The key judgement is whether UK policy makers can influence an ORHA that is and will remain dominated by US DoD."<sup>154</sup>

**269.** The annex identified three options for DFID:

- No engagement. This would marginalise DFID within the UK Government and in ORHA. It would, however, "safeguard" DFID and leave it free to engage with the UN, IFIs and NGOs and pursue a "more normal DFID country operation".
- Full engagement "as proposed by the Foreign Secretary and General Tim Cross".
- Limited engagement in carefully chosen areas, in an "eyes and ears" role as directed by Ms Short. That would comprise three or four DFID secondees.

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<sup>153</sup> Manuscript comment Manning on Letter DFID [junior official] to Rycroft, 22 April 2003, 'Iraq: Engagement with ORHA'.

<sup>154</sup> Paper DFID, [undated], 'Iraq: ORHA Visit Report – Annex'.

**270.** Ms Short chaired a meeting with Ms Sally Keeble, DFID Parliamentary Under Secretary of State, and DFID officials on 23 April, to discuss DFID planning and support for ORHA.<sup>155</sup>

**271.** Ms Short agreed a suggestion from Mr Chakrabarti that other departments should be given access to the £60m announced by Mr Brown in his 9 April budget statement to pay for their secondments to ORHA. That would mean that they, rather than DFID, would have to pass the Treasury's tests on value for money and effectiveness.

**272.** A DFID official suggested that DFID needed to develop a "game plan for the coming weeks and months", to help DFID's planning, enable it to influence the wider international system and to help agree roles and responsibilities within the UK government. Ms Keeble agreed that such a plan could be useful, but stated that DFID "would need to be very clear that all parts of such a plan which related to DFID were owned and managed by us, and not by No.10 or a Cabinet Office structure we could not trust". Ms Short agreed, noting that aiming for a cross-Whitehall plan risked producing an end result that did not tally with DFID's view on its own or others' roles.

**273.** Ms Short stated that DFID "should not start from a presupposition that we would work with ORHA, but begin by looking at the tasks which needed to be achieved, and within that framework whether it made sense to engage with ORHA". The first priority was to establish law and order, which was a task for the military, not ORHA. Second was immediate assistance, a task for the ICRC rather than ORHA. The third priority, paying wages, was a task for ORHA and the UK needed to understand their plans, but key recovery issues, including financing needs, would emerge from the IFI needs assessment.

**274.** Ms Short concluded that DFID needed "one or two people" within ORHA to act as DFID's "eyes and ears". DFID "should not bow to external pressure to put people into ORHA for the sake of it", but test each proposal individually.

**275.** On 24 April, Admiral Sir Michael Boyce, Chief of the Defence Staff (CDS), advised the AHMGIR that the US planned to divide Iraq into five sectors.<sup>156</sup> The UK military would lead one sector, comprising four provinces in south-eastern Iraq. That was "manageable ... provided that other countries offered troops to work with us" and the UK could take on a fifth province "if others contributed the necessary forces for it". The southern region of ORHA would follow the boundaries of the UK's sector.

**276.** Ministers agreed that "the size of the UK military sector will depend on the permissiveness of the environment and the extent of other nations' contributions, but the current assumption was that it would comprise four, or possibly five provinces in the South". The MOD was instructed to report progress at the next meeting.

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<sup>155</sup> Minute Bewes to Miller, 24 April 2003, 'Iraq: 23 April'.

<sup>156</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.



**277.** Ministers also agreed that departments should continue to recruit additional secondees to ORHA, “with a view to a significant increase by 5 May”, and that the UK should offer to play “a leading role in ORHA south-eastern regional HQ, provided that ORHA leaders confirm that it would be coterminous with the emerging UK-led security sector and that we will not pay programme costs”.

**278.** Mr Chilcott led the inter-departmental scoping visit to ORHA from 27 to 28 April.<sup>157</sup>

**279.** Mr Chilcott reported to Mr Edward Chaplin, FCO Director Middle East and North Africa, that Maj Gen Cross was “a star act” but was “frustrated and angry at Whitehall’s slowness to support him”, particularly DFID and the MOD. Mr Chilcott hoped that the progress now being made would show Maj Gen Cross that “Ministers’ enthusiasm for ORHA is finally being translated into extra staff”.

**280.** Mr Chilcott also reported that security and communications were the biggest problems facing ORHA staff.

**281.** The FCO has not been able to provide the Inquiry with a copy of Mr Chilcott’s report on the case for reinforcing ORHA(South).

**282.** The impact of deteriorating security on the deployment of civilian personnel to Iraq is addressed in Section 15.1.

**283.** A Cabinet Office report to Ministers on 1 May 2003 stated that “the UK recce team” had confirmed the feasibility of “a leading UK regional role in the south east” and would be recommending a “substantial UK presence”.<sup>158</sup>

**284.** In his statement to the Inquiry, Maj Gen Cross described both his time with ORHA in Kuwait and his initial experience in Baghdad:

“Garner had made it clear that he wanted me to be his ‘Coalition’ Deputy, notwithstanding the fact that the UK had still not confirmed publicly that we had anyone in his team. I was still a LO [liaison officer] with a very small team, and I was not receiving any clear direction from Whitehall, other than not to commit the UK to anything!

...

“My UK team was strengthened a little, including a very useful media team provided by Alistair Campbell, effectively from within No 10. But my attempts to get significant numbers of additional UK personnel were frustratingly slow ...

...

<sup>157</sup> Minute Chilcott to Chaplin, 30 April 2003, ‘Visit to Iraq’.

<sup>158</sup> Letter Drummond to Owen, 1 May 2003, ‘Iraq: Report to Ministers’ attaching Paper Cabinet Office, 1 May 2003, ‘Iraq: Update for Ministers’.

“We established good links into the UK Division. Garner wanted to establish an ORHA office/footprint in or around Basra as soon as events allowed, and he wanted it to be UK led – initially by me. Whitehall seemed to refuse to countenance the idea; it was never explained to me why this was so, but I sensed a fear that this would lead to [the] UK having to bear the brunt of reconstruction costs in the South/South West area. I was given fairly clear direction not to agree to this – just about the only clear direction I received on any issue!”<sup>159</sup>

**285.** Maj Gen Cross told the Inquiry that, once in Baghdad, Lt Gen Garner’s authority became “brutally exposed”:

“The [ORHA] ministry teams fanned out and each reported back, initially quite positively. Most found Iraqis prepared to work with us, buildings standing and files etc available – many having been secured at the homes of various officials. But as the security situation began to deteriorate the US military commanders refused to provide sufficient escort vehicles, and then stopped anyone moving around without an escort. Meetings were disrupted and, most crucially, the Ministry buildings began to be targeted and burnt and looted – Garner repeatedly asked for crucial key points to be guarded but his pleas met with little response. Linked to this the contractual support from the USAID reconstruction effort failed to materialise. There were few resources to work with, and a vacuum of inactivity was created.

“... Garner realised that we couldn’t possibly run the country – we had nowhere near enough people to do that – so we had to enable them [the Iraqi people] to do it themselves. But his efforts were undermined and he got little support from Washington. I received no direction from the UK on our policy on this.”<sup>160</sup>

**286.** Maj Gen Cross also told the Inquiry that, as security in Baghdad worsened, he secured equipment, vehicles and personal protection through personal contacts in the UK Armed Forces.<sup>161</sup> He received little support from the UK Government:

“To be fair communications were difficult, but I was given little support – still no idea what our UK strategic intent was, no response to my ‘Must-Should-Could’ paper. If it had not been for my personal contacts within the UK military I would have had virtually no support ... my impression was that Whitehall was uncertain of where to go from here, and I sensed that the FCO felt it better not to be implicated too much in what was happening – rather let the MOD get it wrong!!”

**287.** At their 24 April meeting, the AHMGIR considered an IPU/FCO paper entitled ‘Oil/Energy Policy for Iraq’.<sup>162</sup> The paper described itself as a “stock-take” which built on previous work by the IPU.<sup>163</sup>

<sup>159</sup> Statement, 2009, pages 17-19.

<sup>160</sup> Statement, 2009, page 22.

<sup>161</sup> Statement, 2009, pages 22-23.

<sup>162</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>163</sup> Paper IPU, 22 April 2003, ‘Oil/Energy Policy for Iraq’.

**288.** The paper stated that Iraq's oil fields had been undamaged by the fighting, although a few wells had been sabotaged. Those fires were now all extinguished. There had been some looting and damage to pipelines and oil refineries.

**289.** There was a growing shortage of gas (for power stations), fuel and cooking gas, particularly in the South.

**290.** The paper stated that, within the Security Council, oil remained a contentious issue. Council members had different motivations. The UK and US were keen to get Iraqi oil flowing again as soon as possible "to meet humanitarian/reconstruction needs". France and Russia wanted to protect the interests of their companies that had existing contracts under the OFF programme.

**291.** The UK was proposing a three-phase approach to dealing with Iraqi oil and the OFF programme:

- To extend resolution 1472 to 3 June (the end of the current OFF programme phase), and possibly extend the OFF programme itself beyond 3 June. If the OFF programme continued "for any length of time", the UN Secretary-General would need enhanced powers to sell Iraqi oil and buy the full range of humanitarian supplies.
- To pass control of Iraqi oil and gas revenues to a "credible interim administration" once one had been established, subject to certain checks to protect against mismanagement or "unfairness".
- To hand over full control over oil and oil revenues to a democratically elected Iraqi Government.

**292.** The UK and the US agreed that all strategic decisions on the development of the oil industry should be left to a "representative Iraqi government" and that, in the meantime, all oil business should be handled in as transparent a manner as possible.

**293.** Introducing the paper at the AHMGIR meeting, an FCO official said that Iraq's oil infrastructure was in a better state than had been feared when the conflict began.<sup>164</sup>

**294.** Ms Patricia Hewitt, the Trade and Industry Secretary, said that UK companies wanted a future Iraqi Government to establish a "level playing field" for oil industry contracts.

**295.** The AHMGIR agreed that the UK should:

- encourage Iraqi oil exports to recommence as soon as possible, but only after an appropriate resolution had been adopted;
- offer UK oil expertise to ORHA and in the medium term to the IIA; and

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<sup>164</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

- leave future decisions on the shape of the Iraqi oil industry and the management of oil revenues to the new Iraqi Government, while advising on international best practice.

**296.** UK policy on Iraq's oil and oil revenues is addressed in Section 10.3.

**297.** On 24 April, Sir Michael Jay recommended to Mr Straw that the Iraq Planning Unit (IPU) should merge with the Iraq Section of the FCO's Middle East Department (MED) and be renamed the Iraq Policy Unit.<sup>165</sup> The mechanisms in place since mid-January<sup>166</sup> had worked well, but were not sustainable indefinitely. There was a need for "a stable structure which will enable us to sustain the considerable effort which will now be needed for quite a while yet".

**298.** Sir Michael proposed retaining the Iraq Planning Unit's Whitehall-wide character, in particular by recruiting a high proportion of staff on secondment from other departments. He concluded:

"This will be a high priority for the Office [FCO] over the next months at least. We shall find the necessary resources, though this will have to be at the expense of lower priority work elsewhere."

**299.** Mr Straw approved Sir Michael Jay's recommendation on 28 April.<sup>167</sup>

**300.** At the Ad Hoc Meeting on Iraq on 28 April, Mr Hoon said that "efforts to improve the life of Iraqis in the South were bearing fruit".<sup>168</sup>

**301.** Ms Short described the UK role in Basra as "exemplary, but life was still disrupted". In Baghdad, conditions were more difficult and residual anti-American feeling was evident.

**302.** In discussion, Ministers noted that ORHA was at an "embryonic" stage and "more urgency" should be given to UK engagement.

**303.** In late April, tension in Iraq between the UK military and DFID became increasingly apparent.

**304.** Mr Mike O'Brien, FCO Parliamentary Under Secretary of State, attended the Central Iraq Conference in Baghdad on 28 April (see Section 9.1). In the margins he had separate meetings with Maj Gen Cross and Lt Gen Garner.

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<sup>165</sup> Minute Jay to Secretary of State [FCO], 24 April 2003, 'Iraq: Future Handling'.

<sup>166</sup> The Iraq Planning Unit was established on 10 February 2003, see Section 6.5.

<sup>167</sup> Minute McDonald to PS/PUS [FCO], 28 April 2003, 'Iraq: Future Handling'.

<sup>168</sup> Minutes, 28 March 2003, Ad Hoc Meeting on Iraq.

**305.** Maj Gen Cross told Mr O'Brien that Lt Gen Garner's plan was to create four ORHA regions, each with their own ORHA office.<sup>169</sup> Denmark was already looking to lead the southern office.

**306.** Lt Gen Garner asked Mr O'Brien if the UK would:

- consider assuming responsibility for one of the four ORHA regions;
- deploy "expert staff" to help with reconstruction at working level, ORHA already had enough "managers and administrators"; and
- provide up to five UK military officers to act as the senior ORHA officials in a number of Iraq's 18 Provinces.<sup>170</sup>

**307.** On his way to Baghdad, Mr O'Brien met Air Marshal Brian Burridge, UK National Contingent Commander, in Qatar.<sup>171</sup>

**308.** The British Embassy's record of the meeting reported that AM Burridge had raised concerns about DFID.

**309.** Mr O'Brien reported those concerns to Mr Straw on 30 April.<sup>172</sup> AM Burridge had described DFID as "a disgrace, a bloody disgrace". He had been frustrated by DFID's reaction to military action from the outset:

"DFID's officials had attended planning meetings, apparently under instructions not to participate in discussions or make preparations for the humanitarian consequences of military action. As a result, DFID was unprepared when military action finally started. Since then they have been trying to catch up. Sometimes the inadequacy of preparations was hampering rather than helping aid distribution in the southern region. In Burridge's view DFID needed to get involved – and quickly. The lack of co-operation with ORHA was of concern.

"Reconstruction was the key area where DFID could be involved in a highly visible way. But so far nothing seemed to be happening."

**310.** Copies of Mr O'Brien's minute were sent to Sir Michael Jay, Mr Ricketts, Mr Chaplin and Sir David Manning.

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<sup>169</sup> Telegram 41 FCO London to Doha, 30 April 2003, 'Central Iraq Conference: Mr O'Brien's Discussions with General Tim Cross'.

<sup>170</sup> Telegram 42 FCO London to Doha, 30 April 2003, 'Central Iraq Conference: Mr O'Brien's Discussions with Jay Garner'.

<sup>171</sup> Telegram 87 Doha to FCO London, 29 April 2003, 'Baghdad Conference: Mr O'Brien's Call on Air Marshall Burridge'.

<sup>172</sup> Minute O'Brien to Foreign Secretary [Straw], 30 April 2003, 'Mr O'Brien's Call on Air Marshall Burridge'.

**311.** In his evidence to the Inquiry, Lord Boyce echoed AM Burridge’s criticism of DFID.<sup>173</sup> Lord Boyce described DFID as “particularly un-co-operative, particularly as led by Clare Short”. He told the Inquiry:

“... you had people on the ground who were excellent operators for DFID, who were told to sit in a tent and not do anything because that’s the instruction they had received and I actually met them.”

**312.** Lord Boyce also told the Inquiry that the UK military “had hoped DFID would be showing up in force” to work alongside Major General Robin Brims, General Officer Commanding (GOC) 1 (UK) Div.<sup>174</sup>

**313.** In response to a question about the steps taken by the MOD to ensure that sufficient civilian capacity would be available, Lord Boyce told the Inquiry:

“I don’t know is the short answer ... [T]his is an area ... where there was a breakdown, because ... we didn’t get the introduction of civilian aid in the way that we actually expected it, and General Brims who did have a DFID officer in his headquarters, and to whom I spoke on the ground in Iraq after the invasion or during the invasion, was frustrated by the fact that ... the person was not getting the sort of support from head office that they were expecting and I know that General Brims felt equally frustrated.”<sup>175</sup>

**314.** Gen Brims, who left Basra in May 2003, told the Inquiry that, although the DFID adviser in his headquarters reported back to DFID as Phase IV began:

“I didn’t see a result coming back ... I don’t think during my time in Basra I received any UK finance to help the reconstruction at that stage. I think that the initial finance to help the reconstruction all came from Baghdad, ie it was American or it was Iraqi money from Baghdad coming down, for example, to pay policemen.”<sup>176</sup>

**315.** Gen Brims said that what he “really needed” in his headquarters was a Consul General and “some people with experience of running large cities”.<sup>177</sup>

**316.** Sir Suma Chakrabarti told the Inquiry that there had been “absolutely no instruction ... for anyone to sit in their tents and do nothing”.<sup>178</sup> He had spoken to the DFID advisers concerned, who had said that they had not told anyone that they had been instructed to sit in their tents and do nothing. Sir Suma suggested that Lord Boyce’s criticism related to the poor personal relationship between Lord Boyce and Clare Short.

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<sup>173</sup> Public hearing, 3 December 2009, page 105.

<sup>174</sup> Public hearing, 27 January 2011, page 83.

<sup>175</sup> Public hearing, 27 January 2011, page 84.

<sup>176</sup> Public hearing, 8 December 2009, page 43.

<sup>177</sup> Public hearing, 8 December 2009, pages 35-36.

<sup>178</sup> Public hearing, 8 December 2009, pages 38-41.

**317.** On the wider question of the level of DFID advice to and support for the military, Sir Suma told the Inquiry that “the military were right to expect more DFID support than they perhaps got in terms of civil military advisers in the field”. Sir Suma suggested that:

“If you open up the operational security barrier on planning earlier, you engage more in joint planning earlier, I think ... the deployments would probably have happened earlier.”

**318.** On 1 May, Mr O’Brien sent Mr Straw a report of his visit, describing ORHA as “the only game in town”.<sup>179</sup> Mr O’Brien was “convinced that we either need to be fully involved with supporting ORHA, or get the UN into Iraq”. The former would be easier to achieve, and the UK could provide much-needed support.

**319.** Mr O’Brien highlighted the need to deploy a senior UK official to ORHA immediately to take an active role in policy formation.

**320.** Mr O’Brien also highlighted the need to strengthen the IPU:

**“In tandem we need to ensure that we give the IPU the necessary manpower to be able to service ORHA properly. Too much is falling on Dominick Chilcott’s shoulders. He needs more support. Urgent policy decisions need to be taken at Ministerial level.”**

**321.** In a statement to Parliament on 30 April, Mr Hoon announced that:

“Decisive combat operations in Iraq are now complete, and Coalition Forces are increasingly focusing upon stabilisation tasks. It will therefore be possible to make further force level adjustments over the coming weeks while continuing to meet our responsibilities to the Iraqi people.”<sup>180</sup>

**322.** Mr Hoon concluded:

“While details continue to be clarified, we envisage that by mid-May 25,000-30,000 UK Service personnel will remain deployed in the Gulf region, continuing to fulfil our responsibilities towards the Iraqi people. The planned replacement of forces is clear evidence of our commitment to them.

“Our aim is to leave an Iraq that is confident, secure and fully integrated with the international community. The planning process to establish the precise level of the continuing UK presence needed to achieve this aim is a dynamic one, and is kept under review. We will also need to take account of the contributions of Coalition partners. We will continue to withdraw assets and personnel from the region where possible, but we will maintain an appropriate military presence for as long as necessary.”

<sup>179</sup> Minute O’Brien to Straw, 1 May 2003, ‘Central Iraq Conference: Are We Properly Engaged?’.

<sup>180</sup> House of Commons, *Official Report*, 30 April 2003, column 15-16WS.

**323.** On 1 May, after consultations between Mr Straw and Mr Per Stig Møller, the Danish Foreign Minister,<sup>181</sup> the Danish Government announced the appointment of Mr Ole Olsen, Danish Ambassador to Syria, as Head of ORHA(South) for a term of six months.<sup>182</sup>

**324.** The Inquiry has seen no record of those consultations. The Cabinet Office update for Ministers on 1 May stated only that the Danes had been told the UK was “happy that their candidate (Ole Olsen) should lead the office”.<sup>183</sup>

**325.** Overnight on 1/2 May, the UK military’s AO was adjusted to be coterminous with the boundaries of Basra and Maysan Provinces.<sup>184</sup>

**326.** On 2 May, Secretary Rumsfeld and Mr Hoon met at Heathrow, before the Defense Secretary flew back to the US.<sup>185</sup> Mr Hoon stressed the necessity for ORHA to make tangible progress. Secretary Rumsfeld was reported to have:

“... played down expectations somewhat, and cautioned against waiting for a fully formed organisation with a large pot of money. We should keep going pragmatically and keep scratching round for contributions where they were available. This could be done by the UK in their own area. Imposing order within the country would take time; it would take effort to get the ministries up and running and the people back to work.”

**327.** On 2 May, Mr Straw’s Private Secretary wrote to Mr Rycroft to propose that Mr John Sawers, then British Ambassador to Egypt, should be appointed as the Prime Minister’s Special Representative on Iraq to “take the lead for the UK in guiding the political processes leading to the establishment of an Iraqi Interim Authority”.<sup>186</sup> Mr Sawers’ appointment is addressed in Section 9.1.

## Reconstruction strategy and funding

**328.** On 2 May, Ms Anna Bewes, Ms Short’s Principal Private Secretary, sent Mr Rycroft an “Interim DFID Strategy” for the next three to six months as Iraq transitioned from “relief/recovery to reconstruction”.<sup>187</sup>

**329.** Ms Bewes advised that, while the strategy covered “tasks that principally fall to DFID”, there were “strong inter-linkages” with diplomatic and military activity. She stated

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<sup>181</sup> Minute Crompton to PS [FCO], 27 June 2003, ‘Iraq: Ambassador Olsen’.

<sup>182</sup> *BBC News*, 1 May 2003, *Dane to run southern Iraq*.

<sup>183</sup> Letter Drummond to Owen, 1 May 2003, ‘Iraq: Report to Ministers’ attaching Paper Cabinet Office, 1 May 2003, ‘Iraq: Update for Ministers’.

<sup>184</sup> Report Burridge to CJO, 8 May 2003, ‘NCC Op TELIC Hauldown Report’.

<sup>185</sup> Minute Williams to Policy Director [MOD], [undated], ‘Visit of the US Secretary of Defense – 2 May 2003’.

<sup>186</sup> Letter Owen to Rycroft, 2 May 2003, ‘Iraq: Appointment of a Special Representative’.

<sup>187</sup> Letter Bewes to Rycroft, 2 May 2003, ‘Iraq Rehabilitation’ attaching Paper DFID, [undated], ‘Iraq: Interim DFID Strategy’.



that the Interim Strategy drew on the conclusions of the AHMGIR and discussions with other departments and development agencies.

**330.** The Interim Strategy stated that the pledge made to the Iraqi people in the ‘Vision for Iraq and the Iraqi People’ issued at the Azores Summit would:

“... 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.”

DFID’s aim was:

“... to help Iraq reach its development potential, to secure a stable future where the needs of the whole population are met equitably and sustainably.”

**331.** The Interim Strategy stated that, while the expected humanitarian crisis had not materialised, four “immediate recovery tasks” needed to be addressed in the next three months:

- getting public services running again, including by paying salaries;
- re-establishing law and order, with Coalition support and using Iraqi civilian police where available;
- meeting the needs of the vulnerable by maintaining the OFF food distribution system beyond 3 June (with or without the OFF programme itself); and
- restoring public infrastructure, including power and water supplies and sanitation and sewerage systems.

**332.** Drawing on DFID’s experience in other post-conflict and transition countries, and given Iraq’s characteristics as an oil-rich economy with a well-educated population, DFID would consider support (but did not anticipate playing the leading role) in four areas:

- economic management;
- SSR;
- public administration reform; and
- the political transition process.

**333.** DFID would also help to ensure effective co-ordination of international development assistance, including between ORHA, the IMF, the World Bank and the UN.

**334.** During the six-month transitional period, DFID would need to establish a small, temporary presence in Basra and a presence in Baghdad. Its presence thereafter would be determined by “emerging needs” and the UK’s relationship with the Government of Iraq. Given Iraq’s oil wealth and human capital, DFID’s engagement was likely to be limited to about five years and focused on “strategic technical assistance

inputs". That longer-term presence would be considered in a strategy review scheduled for October 2003.

**335.** The Interim Strategy stated that DFID had earmarked £210m for "relief, recovery and reconstruction activities" during 2003/04.<sup>188</sup>

**336.** Drawing on figures provided by DFID, the Inquiry calculates that DFID committed £117.8m to the humanitarian relief effort in the period up to May 2003, of which £89m had been disbursed:

- £78m to UN agencies (£64m disbursed);
- £32m to the ICRC and the Iraqi Red Crescent (£18m disbursed);
- £6.2m to NGOs (£5.4m disbursed); and
- £1.6m for DFID's bilateral effort (all disbursed).<sup>189</sup>

**337.** Approximately £90m therefore remained available for "recovery and reconstruction" and further contributions to the humanitarian relief effort.

**338.** The Inquiry has seen no indication of any assessment of whether that budget for recovery and reconstruction was sufficient to achieve the UK's aspirations and objectives.

**339.** US funding for reconstruction was of a different magnitude.

**340.** In April 2003, the US Congress approved US\$2.4bn for the newly created Iraq Relief and Reconstruction Fund (IRRF1), to pay for "humanitarian assistance" and "rehabilitation and reconstruction in Iraq".<sup>190</sup>

**341.** Over 70 percent of the fund (US\$1.82bn) was allocated to USAID. By early May, USAID had awarded US\$1.5bn in contracts for projects to restore infrastructure and support initiatives for health, education, agriculture and economic reform. The largest contract, worth US\$680m, was secured by Bechtel to restore infrastructure.

## Concerns over the scale of the reconstruction challenge and ORHA's response

**342.** In early May, the UK Government became increasingly concerned about the scale of the reconstruction challenge and the adequacy of the ORHA response, particularly in the South.

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<sup>188</sup> Letter Bewes to Rycroft, 2 May 2003, 'Iraq Rehabilitation' attaching Paper DFID, [undated], 'Iraq: Interim DFID Strategy'.

<sup>189</sup> Letter Amos to Boateng, 10 September 2003, 'Iraq Reconstruction Funding: Reserve Claim'; Paper DFID, 4 November 2009, 'Iraq – DFID Timeline and Financial Commitments: 2003–2009'.

<sup>190</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**343.** Mr Rycroft sent Mr Blair the DFID Interim Strategy, Mr O'Brien's and Mr Chilcott's reports from Iraq, and an IPU update on ORHA on 2 May.<sup>191</sup> Mr Rycroft commented:

“... ORHA is not yet up to the job. It has no effective management. There is no clear understanding of who is making policy ... A State Department Ambassador, Bremmer [sic], is due to take over from Jay Garner.

“UK input remains insufficient. But Whitehall has at last got your message that we need to send good people into all bits of ORHA ...”

**344.** Mr Rycroft identified some immediate points for Mr Blair's attention:

- The FCO was appointing Mr John Sawers to work “in or very closely with” ORHA.
- The UK would seek to persuade the US to keep ORHA for the short term, before handing over to the IIA and a UN-led mission to support the IIA.
- ORHA should “get the Iraqi ministries operating again, and improve their media work so that improvements in infrastructure are visible”.
- ORHA should develop a plan for SSR.

**345.** Mr Blair indicated that he agreed with those points. He commented: “I want to hear from Tim Cross that his concerns are being met next week”.<sup>192</sup>

**346.** Mr Rycroft informed the FCO on 6 May that Mr Blair remained concerned that ORHA lacked proper management, but welcomed the increase in UK support.<sup>193</sup> Mr Rycroft asked for further advice by 9 May on the UK's contribution to ORHA, ORHA's internal management and priorities, and an assessment of whether Maj Gen Cross's concerns were now being met.

**347.** Mr Sawers arrived in Baghdad on 7 May.<sup>194</sup>

**348.** The FCO advised No.10 on 9 May that good progress had been made in stepping up UK military and civilian support for ORHA.<sup>195</sup> So far, 34 public sector volunteers had completed pre-deployment training; 11 more would be trained the following week. A first batch of 22 was scheduled to leave for Iraq on 13 May with a similar-sized group to follow a week later. The key to ORHA's success would be achieving results with the Iraqi ministries in Baghdad; support for that work would be the UK's “main effort”, although it would also provide 10 secondees to ORHA(South). The FCO reported that officials were in daily contact with Maj Gen Cross, who was content with “the current state of play”.

<sup>191</sup> Minute Rycroft to Prime Minister, 2 May 2003, ‘Iraq: ORHA’.

<sup>192</sup> Manuscript comment Blair on Minute Rycroft to Prime Minister, 2 May 2003, ‘Iraq: ORHA’.

<sup>193</sup> Letter Rycroft to Owen, 6 May 2003, ‘Iraq: ORHA’.

<sup>194</sup> Telegram 2 IraqRep to FCO London, 11 May 2003, ‘Personal: Iraq: What's Going Wrong?’.

<sup>195</sup> Letter Owen to Rycroft, 9 May 2003, ‘Iraq: ORHA’.

**349.** The FCO also advised that ORHA's top priority was "restore what is left of Iraqi public administration, so that people can return to work and basic services can be delivered once again".

**350.** Mr Blair and President Bush spoke by telephone on 7 May on a broad range of foreign policy issues.<sup>196</sup> Mr Blair commented that ORHA "must grip the nuts and bolts of reconstruction, not just focus on politics".

**351.** On 9 May, the IPU informed Mr Straw's Private Office that it was now clear that negotiations between the US and UK for an MOU covering ORHA's operations were unlikely to succeed.<sup>197</sup> The implications for the UK of that situation are addressed in Section 9.1.

**352.** General Sir Mike Jackson, Chief of the General Staff (CGS), visited Iraq from 7 to 10 May. He reported his concerns about the pace of reconstruction, especially in the South, to General Sir Michael Walker, Adm Boyce's successor as CDS, on 13 May:

"Despite recovering some of the essential public utilities to pre-war standards, it is startlingly apparent that we are not delivering that which was deemed to be promised and is expected ... 1 (UK) Armoured Div have formulated a sound plan involving all the lines of operation and effect that are required to create a viable state. However, they have reached the limit of their technical capabilities and desperately need subject matter experts ... They have had an embedded DFID representative since initial deployment who has made all the right requests for some time, but no action follows ... This situation is compounded by a comprehensive stripping of the public sector infrastructure, an inability to pay public sector employees, a lack of NGO support and planning, and a complete lack of direction and effective action from ORHA."<sup>198</sup>

**353.** Gen Jackson concluded:

"We must release the financial, personnel and infrastructure resources to effect a quicker delivery of reconstruction. If not we will lose the consent we have so successfully achieved."

**354.** The Inquiry has seen no indication that the report was sent outside the MOD.

**355.** On 11 May, Mr Sawers reported:

"Four days in Iraq has been enough to identify the main reasons why the reconstruction of Iraq is so slow. The Coalition are widely welcomed, but are gradually losing public support."

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<sup>196</sup> Letter Cannon to McDonald, 7 May 2003, 'US Foreign Policy Issues: Prime Minister's Conversation with Bush, 7 May'.

<sup>197</sup> Minute Chatterton Dickson to FCO [junior official], 9 May 2003, 'Iraq: ORHA: MOU'.

<sup>198</sup> Minute CGS to CDS, 13 May 2003, 'CGS Visit to OP TELIC 7-10 May 2003'.

“Garner’s outfit, ORHA, is an unbelievable mess. No leadership, no strategy, no co-ordination, no structure, and inaccessible to ordinary Iraqis ...

“I have not yet been out of the capital, but it is clear that Baghdad is the biggest problem ... Baghdad has the worst security, a poor level of essential services, and no information flow. I will recommend to Bremer a Baghdad First strategy. We can afford some of the regions to languish. But failure in Baghdad would fatally undermine our success in the conflict.”<sup>199</sup>

**356.** Mr Sawers listed the main challenges:

- There would be no progress until security improved.
- There needed to be a clear and credible de-Ba’athification policy. ORHA had made mistakes by appointing “quite senior” Ba’ath Party figures as their main partners in the Trade and Health Ministries, and at Baghdad University.
- With security and credible de-Ba’athification would come the chance for “durable reconstruction”. Bechtel was moving far too slowly. It needed “to swamp Baghdad with engineers and skilled labour”. Quick impact projects were also needed to demonstrate that progress was being made. Those were not a substitute for long-term development, but would meet genuine needs and were a “political requirement”.
- The Coalition needed to do more to get out its messages.
- Money needed to be found to pay public sector workers. US\$740m in seized Iraqi funds that could be used was held up in Washington.

**357.** Ambassador Paul Bremer arrived in Baghdad on 12 May, to take up post as Head of the Coalition Provisional Authority (CPA).<sup>200</sup> Lt Gen Garner was to leave Iraq on 1 June, at which point ORHA would be incorporated into the CPA.<sup>201</sup>

**358.** The names ‘ORHA’ and ‘CPA’ continued to be used interchangeably in documents seen by the Inquiry for some time after Ambassador Bremer’s appointment.

**359.** Sir John Sawers told the Inquiry that, although he was “the senior Brit on the ground”, he was not Ambassador Bremer’s deputy nor was he in the line management chain of ORHA or the CPA.<sup>202</sup> Rather, he was a representative of the UK Government and so his role was one of “exerting influence rather than exercising power”.

<sup>199</sup> Telegram 2 IraqRep to FCO London, 11 May 2003, ‘Personal: Iraq: What’s Going Wrong?’.

<sup>200</sup> Telegram 5 IraqRep to FCO London, 12 May 2003, ‘Bremer’s First Moves’.

<sup>201</sup> Telegram 027 Baghdad to London, 1 June 2003, ‘Iraq: Coalition Provisional Authority’.

<sup>202</sup> Public hearing, 10 December 2009, pages 56 and 58.

**360.** On 12 May, Ms Short resigned from the Government. In her letter of resignation to Mr Blair she said that she thought the run-up to the conflict had been mishandled, but had agreed to stay to support the reconstruction effort.<sup>203</sup> However:

“... the assurances you gave me about the need for a UN mandate to establish a legitimate Iraqi government have been breached. The Security Council resolution that you and Jack [Straw] have so secretly negotiated contradicts the assurances I have given in the House of Commons and elsewhere about the legal authority of the Occupying Powers, and the need for a UN-led process to establish a legitimate Iraqi government. This makes my position impossible.”

**361.** Ms Short was succeeded by Baroness Amos, who had previously been Minister of State for International Development.

**362.** Mr Hilary Benn was appointed Minister of State.

**363.** Ms Short’s resignation and the Mr Blair’s response are addressed in more detail in Section 9.1.

**364.** Baroness Amos attended the 15 May meeting of the AHMGIR.<sup>204</sup>

**365.** The Annotated Agenda for the AHMGIR meeting stated that UK forces in southern Iraq generally enjoyed the goodwill of the local population and emerging political leaders, but that a continued permissive environment and, in the medium term, the withdrawal of UK forces “depends in part on the local population receiving real benefits from Coalition occupation”.<sup>205</sup> The scale of the reconstruction challenge was “enormous”. Large projects would fall to ORHA and subsequently the Iraqi authorities. But there was a case now for “smaller refurbishment projects”. ORHA had plans for such projects but had been slow to implement them. “In the meantime, given the relatively benign security situation, UK forces have spare capacity to turn to reconstruction efforts.”

**366.** The Annotated Agenda also stated that, of the £10m allocated to the UK military for quick impact projects (QIPs), only £50,000 had been spent. Of the £30m allocated to the UK military for humanitarian relief operations in the UK’s AO, only £3m had been committed and £1m spent. The remainder could be used for other purposes.

**367.** In discussion, Mr Boateng agreed that the MOD could spend the balance of the £10m allocated for QIPs, but said that “other funds for reconstruction” had been allocated to DFID.<sup>206</sup> The MOD and DFID needed to discuss the issue.

**368.** Baroness Amos said that ORHA needed some quick wins to establish its reputation. DFID would put ideas to Ministers the following week.

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<sup>203</sup> Short C. *An Honourable Deception: New Labour, Iraq and the Misuse of Power*. The Free Press, 2004.

<sup>204</sup> Minutes, 15 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>205</sup> Annotated Agenda, 15 May, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>206</sup> Minutes, 15 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**369.** Ministers agreed that DFID should discuss with the MOD, the Permanent Joint Headquarters (PJHQ), 1 (UK) Div, ORHA and the IPU “measures to achieve a step change in rehabilitation in the South”, before discussing funding with the Treasury and presenting a plan to the AHMGIR on 22 May.

**370.** On 16 May, Ambassador Bremer issued CPA Regulation No.1.<sup>207</sup> It stated:

“The CPA shall exercise powers of government temporarily in order to provide for the effective administration of Iraq during the period of transitional administration, to restore conditions of security and stability, to create conditions in which the Iraqi people can freely determine their own political future, including by advancing efforts to restore and establish national and local institutions for representative governance and facilitating economic recovery and sustainable reconstruction and development.”

**371.** The DFID team in Basra sent DFID a stock-take of the situation in the South on 19 May.<sup>208</sup> ORHA(South) was suffering from the lack of policy guidance, support and specialist staffing from ORHA(Baghdad). Danish staff in ORHA(South) had received US\$500,000 from the Danish Government; that appeared to be all of ORHA(South)’s “immediately accessible” funding. ORHA(South) barely had enough staff to cover the most urgent tasks, such as the payment of salaries; more support was required. There was a risk that neglect by ORHA(South) in these initial months would allow “alternative structures” to emerge.

**372.** The DFID team also reported that “many military units” had said that they did not have the capacity to implement QIPs to the extent that they would like. 1 (UK) Div was aware of the “disconnect” between their capacity and the need to implement £29m worth of QIPs. The DFID team recommended that military capacity should be augmented.

**373.** Sir David Manning visited Baghdad and Basra for the first time from 20 to 21 May. In his report to Mr Blair, he echoed Mr Sawers’ assessment that Baghdad was key, observing that Basra was “way ahead” of Baghdad. Joining the growing chorus of critics of ORHA, Sir David described it as a “shambles”.<sup>209</sup>

**374.** Sir David described Ambassador Bremer as “impressive”. One way of helping him would be to get DFID:

“... properly and energetically engaged. (There is a residue of bitterness about their lack of involvement: they have committed few people and have apparently just completed their third independent reconnaissance about security for staff before deploying more people). Valerie [Amos] will make things change. I hope she will get experts to ORHA very fast.”

<sup>207</sup> Coalition Provisional Authority, Regulation Number 1, 16 May 2003, *The Coalition Provisional Authority*.

<sup>208</sup> Minute DFID [junior officials] to DFID [junior official], 19 May 2003, ‘DFID Basrah: Issues Paper’.

<sup>209</sup> Letter Manning to Prime Minister, 22 May 2003, ‘Iraq: Visit to Baghdad and Basra’.

**375.** Mr Blair replied: “Send a note from me to Val[erie] asking for this.”<sup>210</sup>

**376.** The Annotated Agenda for the 22 May meeting of the AHMGIR stated that the arrival of Ambassador Bremer, who was “working closely” with Mr Sawers, had made a significant impact on ORHA’s efficiency, but not yet its performance on the ground.<sup>211</sup> Officials were close to agreeing with Mr Andy Bearpark, UN Deputy Special Representative in Kosovo, that he should succeed Maj Gen Cross, who was due to leave ORHA in June. Mr Bearpark needed to be given the right job to “maximise UK influence in ORHA”.

**377.** The Annotated Agenda also stated that 24 UK secondees had arrived in Iraq on 16 May, making a total of 61 UK secondees to ORHA. 11 of those were based in the ORHA(South) office in Basra.

**378.** Ministers agreed that Maj Gen Cross should be replaced by “a senior UK civilian experienced in humanitarian and reconstruction work, placed in a senior position”.<sup>212</sup>

**379.** Mr Bearpark was subsequently appointed CPA Director of Operations and Infrastructure. He arrived in Baghdad on 16 June.

**380.** Section 9.2 describes how, although UK officials in Whitehall regarded Mr Bearpark as the UK’s senior representative in the CPA, Mr Bearpark saw his primary loyalty as lying with the CPA and Ambassador Bremer.

**381.** The 22 May meeting of the AHMGIR also considered a joint DFID/MOD paper on achieving a “step change” in reconstruction in the South, requested by the AHMGIR the previous week.<sup>213</sup>

**382.** The paper, entitled ‘Iraq: Rehabilitation in ORHA Region Lower South’, defined the UK’s role in the South:

“The ORHA Lower South sector will be closely associated with the UK. Although the ORHA regional office is headed by a Dane ... the presence of a UK two-star regional military headquarters will make the UK’s role in the area pre-eminent. The UK will have the greatest number of military personnel in the region and, as one of two initial Occupying Powers, will be seen by other nations to have leading responsibility for the Lower South Region. If there are difficulties in the Lower South region it will be the UK (and, immediately, the UK military) that will have to face them first.”<sup>214</sup>

**383.** The paper also set out the rationale for UK assistance. ORHA’s “mobilisation” was proceeding slowly, and the UK was concerned that its use of large enabling contracts

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<sup>210</sup> Manuscript comment Blair on Letter Manning to Prime Minister, 22 May 2003, ‘Iraq: Visit to Baghdad and Basra’.

<sup>211</sup> Annotated Agenda, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>212</sup> Minutes, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>213</sup> Minutes, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>214</sup> Paper MOD/DFID, May 2003, ‘Iraq – Rehabilitation in ORHA region lower south’.



would not prove sufficiently flexible or responsive, although there were no realistic options until the IFIs and World Bank engaged. Much of ORHA's funding had to come through a US bureaucratic process which even senior members of the US Administration described as "frustratingly slow".

**384.** The paper stated:

"It is in the UK's self-interest (quite aside from, although coincident with, the interests of the Iraqis) that rehabilitation and reconstruction proceed smoothly and rapidly. Without rapid and visible rehabilitation and reconstruction it is possible that there will be an erosion of the consent to the presence of the Coalition Forces. This is a particular concern to 1(UK) Div as reconstruction is off to a slow start ...

...

"There is thus a near-term gap in the provision of rehabilitation and reconstruction assistance to Iraq. Inasmuch as the UK is responsible for the Lower South Region, the UK is responsible for filling that gap."

**385.** The paper concluded that the success of the Lower South ORHA office would depend on UK direction and capacity in a manner analogous to ORHA's reliance on the US, and that the UK required a plan to address immediate rehabilitation needs and to encourage greater long-term investment and engagement in reconstruction activities. The plan should comprise:

- Support for the ORHA Lower South regional office, including help to draw up an operational plan for rehabilitation, additional staff to help manage projects, and running costs. The paper also proposed that the UK Government should establish sufficient capability in the UK to manage its support for rehabilitation; PJHQ would be able to offer advice to the FCO on how such a team should be structured.
- The reallocation of the £20m allocated to the military to support Internally Displaced People (IDPs), to fund QIPs.
- Funding for short, discrete projects to build the capacity of the Iraqi administration capacity in key areas.

**386.** Ministers were invited to agree the "concept" described in the paper.

**387.** The Annotated Agenda for the AHMGIR meeting invited Ministers to agree that the UK should step up the reconstruction effort in the "southern military sector" by:

- in the short term, encouraging UK forces, with the assistance of DFID advisers, to identify and implement QIPs;
- over the next month, building the capacity of ORHA(South) to identify and implement reconstruction projects, including by seconding additional staff where necessary and developing an operational reconstruction plan;

- tasking the MOD and DFID to discuss funding their plan with the Treasury, if necessary;
- encouraging international partners to support the regional reconstruction plan; and
- encouraging ORHA to accelerate its reconstruction efforts, including by devolving parts of its budget to its regional offices.<sup>215</sup>

**388.** The AHMGIR agreed those recommendations.<sup>216</sup>

**389.** A costed plan for rehabilitation in the South was submitted to the AHMGIR on 12 June.

**390.** On 23 May, Mr Malik briefed Baroness Amos's Office on recent negative reporting on DFID's role in southern Iraq.<sup>217</sup> Much of this appeared to have been inspired by UK military personnel in Iraq or Doha, although direct feedback from the UK military was that DFID's support was "highly valued".

**391.** Mr Malik commented:

"There is some frustration amongst military personnel in Basra that they have not been able to hand over the post conflict effort to civilian agencies quickly enough. However, to a large extent this reflects the security environment ... and the failure of ORHA to deliver. Over the coming days we will be reinforcing advisory support to the military and ORHA, and will be assessing what more we can do."

**392.** Mr Malik recommended that Baroness Amos speak to Mr Hoon before Mr Blair's visit to Iraq at the end of the month.

## Resolution 1483

**393.** United Nations Security Council resolution 1483 (2003) was adopted on 22 May.<sup>218</sup>

**394.** The resolution confirmed that the UN would not have the lead responsibility for the administration and reconstruction of Iraq, which would fall to the CPA. There would be a role for the UN, exercised through a Special Representative to the Secretary-General.<sup>219</sup>

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<sup>215</sup> Annotated Agenda, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>216</sup> Minutes, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>217</sup> Minute Malik to Private Secretary [DFID], 23 May 2003, 'Iraq: DFID Reputation in Southern Iraq'.

<sup>218</sup> UN, Press Release SC/7765, 22 May 2003, *Security Council lifts sanctions on Iraq, approves UN role, calls for appointment of Secretary-General's Special Representative*.

<sup>219</sup> UN Security Council resolution 1483 (2003).

### Resolution 1483 (2003), 22 May 2003

The provisions of resolution 1483 are described in detail in Section 9.1.

In addressing reconstruction, the resolution:

- requested the Secretary-General to appoint a Special Representative for Iraq, with a co-ordinating role focused on reconstruction and humanitarian assistance, reporting regularly to the UN;
- supported “the formation, by the people of Iraq with the help of the Authority and working with the Special Representative, of an Iraqi interim administration as a transitional administration run by Iraqis, until an internationally recognized, representative government is established by the people of Iraq and assumes the responsibilities of the Authority”;
- lifted all sanctions on Iraq except those related to arms;
- noted the establishment of the Development Fund for Iraq (DFI), which would be audited by independent public accountants approved by an International Advisory and Monitoring Board (IAMB) comprising representatives of the UN Secretary-General, the IMF, the Arab Fund for Social and Economic Development, and the World Bank;
- noted that disbursements from the DFI would be “at the direction of the Authority, in consultation with the interim Iraqi administration”;
- underlined that the DFI should be used “in a transparent manner to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq’s infrastructure, for the continued disarmament of Iraq, and for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq”;
- requested the UN Secretary-General to continue operation of the OFF for up to six months from 22 May;
- decided that all export sales of Iraqi petroleum, petroleum products, and natural gas should be made “consistent with prevailing international market best practices”, and that 95 percent of the revenue should be deposited into the DFI (with 5 percent deposited into the UN Compensation Fund for victims of Saddam Hussein’s 1990 invasion of Kuwait).<sup>220</sup>

Section 10.3 describes in more detail the negotiations between the US and the UK over who should control disbursements from the DFI, which would hold Iraqi oil revenues and other funds.

**395.** On 27 May, Mr Kofi Annan, the UN Secretary-General, named Mr Sérgio Vieira de Mello as his Special Representative to “lead the United Nations effort in Iraq for the next four months”.<sup>221</sup>

**396.** Mr Vieira de Mello arrived in Iraq on 2 June.<sup>222</sup>

<sup>220</sup> UN Security Council Resolution 1483 (2003).

<sup>221</sup> UN, Press Release, 27 May 2003, *Transcript of Press Conference by Secretary-General Kofi Annan and Special Representative for Iraq, Sérgio Vieira de Mello, 27 May*.

<sup>222</sup> Letter Straw to Blair, 5 June 2003, ‘Iraq: Winning the Peace’ attaching Briefing FCO/UND, ‘Role of the UN Secretary-General’s Special Representative in Iraq’.

**397.** Sir Suma Chakrabarti told the Inquiry that Ms Short's resignation, the exchanges within the UK Government that had preceded it, and the adoption of resolution 1483 led to a significant shift in DFID's attitude to ORHA:

"... we [DFID] didn't think ORHA would be actually the lead in terms of post-conflict work. We thought the UN would take that role on. The UN was geared up to do so, putting more staff into Iraq at the time ...

"The penny dropped that ... ORHA was going to be the only game in town when 1483 was passed. It probably dropped actually with Clare Short's resignation ... because it was at that point we realised that perhaps there wasn't a shared objective on UN leadership in the British Government because the Prime Minister's conversation with Clare Short made that clear. From that point on, we had to try and make ORHA work better whether we liked it or not."<sup>223</sup>

## The return to a 'war footing', June 2003

**398.** Mr Blair visited Basra and Umm Qasr on 29 May. DFID, the FCO and the MOD provided separate briefings for the visit.

**399.** DFID advised that the humanitarian situation was improving steadily, although security remained a key concern.<sup>224</sup> Without security, it would be difficult to achieve progress in other areas. In many parts of Iraq, water and power services were "almost at pre-conflict levels". Looking ahead, rebuilding Iraqi public institutions would be the main challenge. ORHA had a central role to play; DFID had stepped up its "staff support" for ORHA in Baghdad and Basra and was looking at additional areas to support.

**400.** The FCO advised that Ambassador Bremer's arrival had yet to translate into improvements on the ground.<sup>225</sup> The UK now had 61 secondees in ORHA (including in Basra), most of whom were working with Iraqi ministries.

**401.** Success in ORHA(South) was "crucial to achieving UK national objectives in Iraq". The UK had provided a Deputy to Ambassador Olsen and 10 other secondees, and planned to further reinforce ORHA(South) by:

- providing more secondees;
- providing an operational plan compatible with ORHA's national plan; and
- encouraging ORHA(Baghdad) to accelerate reconstruction efforts by delegating more of its budget to regional offices.

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<sup>223</sup> Public hearing, 8 December 2009, page 34.

<sup>224</sup> Letter Bewes to Cannon, [undated], 'Iraq – Humanitarian Update'.

<sup>225</sup> Letter Sinclair to Cannon, 27 May 2003, 'Prime Minister's Visit to Iraq'.

**402.** The MOD provided, as part of a larger briefing pack, briefs on “Reconstruction and the UN” and humanitarian assistance.<sup>226</sup> The briefing on humanitarian assistance reported that there was no humanitarian crisis in southern Iraq:

“Food, water, power and other essentials are available in towns across the UK’s Area of Operations. Our priority is the provision of a safe and secure environment.

“UK forces will continue to deliver emergency relief where it is needed, and where they are able to do. However, as the security situation stabilises enough for civilian aid agencies to fully deploy, we are rightly handing some responsibilities over to them.”

**403.** Mr Nicholas Cannon, Mr Blair’s Assistant Private Secretary for Foreign Affairs, passed the briefings to Mr Blair on 27 May, with the comment: “you may encounter whinging [in Iraq] about electricity and water supplies (the military are clear that these are already better than pre-conflict levels) and about the law and order situation”.<sup>227</sup>

**404.** Mr Blair met Ambassador Bremer in Basra on 29 May.<sup>228</sup> Ambassador Bremer told Mr Blair that the first phase of the CPA’s work would involve demonstrating that Saddam Hussein’s regime had definitively disappeared, by delivering improvements in basic services (which were already mostly up to pre-conflict levels) and maintaining law and order. The second phase would include the revival of the economy, the first stage of establishing a free Iraqi Government, and the revival of civil society. Ambassador Bremer’s “target economic end state” was a liberal, open market economy.

**405.** Mr Blair asked about resources. Ambassador Bremer confirmed that he had no resource constraints; the CPA had between US\$4bn and US\$5bn available to spend.

**406.** Ambassador Bremer discussed the inadequacy of ORHA’s strategic communications in a separate meeting with Mr Alastair Campbell, Mr Blair’s Director of Communications and Strategy.<sup>229</sup> Mr Campbell suggested that Mr John Buck, Head of the UK’s Communication and Information Centre (CIC), who was due to arrive in Iraq shortly, should take on the task of drawing up a strategic communications plan. Ambassador Bremer agreed.

**407.** Mr Buck described the situation he faced on his arrival in Iraq in his evidence to the Inquiry:

“... there was no coherent communications operation. The US Army were doing one thing. The British Army were doing another. The CPA were doing another. My task largely focused on actually bringing these people together into one unit.”<sup>230</sup>

<sup>226</sup> Letter Watkins to Cannon, 27 May 2003, ‘Prime Minister’s Visit to Iraq’ attaching Briefing, [undated], ‘Prime Minister’s Visit to Iraq: 29 May 2003’.

<sup>227</sup> Minute Cannon to Blair, 27 May 2003, ‘Visit to Iraq, 29 May’.

<sup>228</sup> Letter Cannon to Owen, 29 May 2003, ‘Iraq: Prime Minister’s Meeting with Bremer, 29 May’.

<sup>229</sup> Minute Campbell to Sawers, 29 May 2003, ‘Meeting with Ambassador Bremer’.

<sup>230</sup> Public hearing, 31 January 2011, pages 100-101.

**408.** A Cabinet Office update for Ministers on 29 May reported that (unspecified) recent initiatives by Ambassador Bremer and the DoD underlined the need to press the US to consult more systematically with the UK.<sup>231</sup> The UK was having some success at influencing US thinking, including through Mr Sawers, the British Embassy Washington, an FCO Legal Adviser seconded to the CPA, and regular contacts between US and UK lawyers (in the last few days, those contacts had persuaded the US to drop the death penalty from a CPA Penal Order), but consultation remained “haphazard”. Ministers should be prepared for “further abrupt changes in US policy”.

**409.** Mr Sawers reported by telegram on 1 June:

“ORHA is no more, replaced by the Coalition Provision Authority ...

“Jay Garner departed on 1 June ... ORHA, with its reputation as a failure, is being buried with him. Bremer’s brisk management style and additional powers have enabled him to impose a new structure with a new name that should lead to a more coherent approach to re-building Iraq.”<sup>232</sup>

**410.** Mr Sawers advised that Mr Andy Bearpark would be the CPA’s Director of Operations, with: “Across the board responsibility for policy implementation, leading on top priority tasks, managing the CPA’s regional structure, and operational co-ordination with the UN.” Mr Bearpark arrived in Baghdad on 16 June; his role is considered later in this Section.

**411.** *Hard Lessons* recorded that ORHA had 600 staff when it was absorbed by the CPA during May.<sup>233</sup> That fell “far short of what it [the CPA] needed to manage its burgeoning relief and reconstruction program”.

**412.** Also on 1 June, the Deputy to Ambassador Olsen in ORHA(South), a UK official, sent two reports to Mr Chilcott. The first offered her first impressions:

- “Office infrastructure was (and still is) virtually non-existent, living conditions were (and still are) pretty miserable ...”
- ORHA(South) had no operating budget and was running, “sparsely”, on funding from the Danish Foreign Ministry and Ambassador Olsen’s own bank account.
- ORHA(South) had no security guards or caterers, and had been forbidden from contracting them directly. UK pressure on ORHA(Baghdad) to provide that support would be appreciated.
- ORHA(South) had 21 staff (eight UK civilians, five UK military officers, five Danish civilians, two US military officers, and one Japanese civilian). Additional staff were arriving “in trickles” but were predominately military officers and had

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<sup>231</sup> Paper Cabinet Office, 29 May 2003, ‘Iraq: Update for Ministers’.

<sup>232</sup> Telegram 27 IraqRep to FCO London, 1 June 2003, ‘Iraq: Coalition Provisional Authority’.

<sup>233</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

been directed to ORHA(South) by 1(UK) Div and Maj Gen Cross. Those officers were useful as “stopgaps”, but ORHA(Baghdad) needed to provide expert staff.

- ORHA(Baghdad) was “dysfunctional and totally pre-occupied with Baghdad”. There had been no attempt to engage with ORHA(South), including on policy issues. Communication was virtually non-existent (it remained impossible to telephone anyone in Baghdad).
- Ambassador Olsen was “very unhappy” with the seeming indifference of ORHA(Baghdad) and the lack of resources. It was not out of the question that he would leave if things did not improve.
- ORHA(South)’s “concept of operations” was to work jointly with the military and, once it had built its knowledge base and secured the necessary resources, to move into the lead allowing the military to focus on security and their exit strategy. That would not happen until ORHA(South) had considerably more people.<sup>234</sup>

**413.** Her second report provided an assessment of ORHA(South)’s staffing requirement.<sup>235</sup> Additional support was required in 15 areas; in most of those, three or four specialists would be required to make a discernible difference across the region. The areas included: electricity; water and sewerage; infrastructure/reconstruction; the judiciary; human rights; gender issues; the economy (two DFID advisers were due to arrive in Basra shortly); political analysis; and the media.

**414.** ORHA(South) itself needed an office manager, a logistics manager, a finance officer, an information manager and security staff (both for the office and to enable moves outside Basra).

**415.** After returning to the UK, Mr Blair sent a personal Note to President Bush.<sup>236</sup> Mr Blair wrote:

“I met Jerry Bremer and others in Iraq. He is very impressive, got a real grip and is doing a great job. But the task is absolutely awesome and I’m not at all sure we’re geared for it. This is worse than re-building a country from scratch.

“We start from a really backward position. In time, it can be sorted. But time counts against us ...”

**416.** Mr Blair went on to suggest that:

- Security in Baghdad had to be dealt with at once.
- “Bechtel needs to move far more quickly in letting contracts for infrastructure reconstruction – patching up won’t do”.

<sup>234</sup> Minute UK [junior official] to Chilcott, 1 June 2003, ‘ORHA South – First Impressions’.

<sup>235</sup> Minute UK [junior official] to Chilcott, 1 June 2003, ‘Additional Staffing Requirements for ORHA South’.

<sup>236</sup> Letter Manning to McDonald, 2 June 2003, ‘Iraq: Prime Minister’s Note’ attaching Note [Blair to Bush], [undated], ‘Note’.

- The Coalition’s communications strategy had to be put on a more energetic footing.
- The CPA needed greater administrative capacity. Mr Blair proposed a small US/UK team “with one of our people from our own circle” to act as a rapid conduit to President Bush and himself, enabling them to clear the bureaucratic obstacles immediately.

**417.** Mr Blair concluded his Note by stating that he would be “going back to almost a war footing” in order to ensure focus on issues in Iraq.

**418.** Mr Blair and President Bush discussed Iraq over breakfast on 2 June.<sup>237</sup> Mr Blair emphasised the “huge scale” of the reconstruction task. Saddam Hussein had left an “appalling” legacy and reduced a potentially rich country to third world levels of poverty. Ambassador Bremer was being asked to take on “a shattered country with decrepit infrastructure and a population that had developed a dependency culture”. That was “a very tall order”. He should be given whatever he wanted for capacity building.

**419.** Mr Blair also argued that a clear political vision and timetable was needed, together with a media strategy to avoid “a dangerous information vacuum”.

**420.** On 3 June, Mr Blair chaired a meeting on Iraq attended by Mr Hoon, Baroness Amos, Sir Michael Jay (in Mr Straw’s absence) and No.10 officials.<sup>238</sup> Mr Blair said that he had returned from Iraq convinced that “an enormous amount needed to be done”. He told the meeting:

- The CPA lacked grip and organisation, rather than money or staff.
- The UK should “beef up” its involvement in the CPA.
- There should be a White House/No.10 team to work alongside Mr Sawers and Ambassador Bremer.
- There should be a strong civilian team in the South.
- The CPA and US decision-making processes were too slow. Contracts needed to be processed faster.
- British companies needed to be energised to take up opportunities in Iraq.

**421.** Mr Blair also said that he believed that Whitehall should go back to “a war footing” for the next two to three months to avoid “losing the peace in Iraq”.

**422.** Following the meeting, Mr Cannon commissioned a number of papers to be ready before a further meeting on 6 June. Those included a list of 10 to 15 outstanding, practical issues for Mr Blair to raise with President Bush that would “make a big

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<sup>237</sup> Letter Manning to McDonald, 2 June 2003, ‘Breakfast Meeting Between The Prime Minister and President Bush: 2 June 2003’.

<sup>238</sup> Letter Cannon to McDonald, 3 June 2003, ‘Iraq: Prime Minister’s Meeting, 3 June’.



difference to the people of Iraq if they are resolved”, and advice on how to improve the Iraqi media.

**423.** Mr Rycroft subsequently told Mr Chilcott, who had been tasked to produce that list of outstanding practical issues, that Mr Blair was “looking for some really big ticket items to push”, along the lines of:

- “1. Get x people in to sort out the police.
2. Move y US forces from a to b to improve security.
3. Get Bechtel to build by X date a new power station in place y.
4. Ask x big figure person to go to Iraq to sort out the TV.
5. currency.
6. CPA internal.
7. setting up IIA.
8. Basra – give CPA Basra \$x million, and ... etc etc.”<sup>239</sup>

**424.** Mr Rycroft added that Mr Blair did not need “lots of analysis of what’s going wrong ... he knows that”. He needed “things that are concrete and ambitious enough so that if/when they happen they really transform the place”.

**425.** Mr Chilcott replied that he could not produce a “serious paper” with the specific detail requested:

“To offer advice on where to build big infrastructure projects ... requires a lot more knowledge than we have in the IPU about local conditions ... and some sense of an overall development plan for Iraq – something the World Bank will presumably draw up once they have got themselves engaged. These judgements will have to be carefully considered by development experts.

“In my view, the two most important things the PM should raise with the President now are (a) security and (b) the functioning of the CPA. Until these are solved, there is little chance of any infrastructure work making much impact.”<sup>240</sup>

**426.** Baroness Amos saw Mr Blair’s direction as an opportunity for a substantive reassessment of DFID’s engagement on reconstruction in Iraq.

**427.** Baroness Amos gave Mr Benn and Mr Chakrabarti a read out from Mr Blair’s 3 June meeting later that day.<sup>241</sup> She reported that Mr Blair had made a number of specific proposals:

- There was a lack of administrative capacity in the CPA. The UK should increase its support for it.

<sup>239</sup> Email Rycroft to Chilcott, 4 June 2003, ‘Draft Paper for the PM’.

<sup>240</sup> Email Chilcott to Rycroft, 4 June 2003, ‘Draft Paper for PM’.

<sup>241</sup> Minute Bewes to DFID [junior official], 3 June 2003, ‘PM Iraq Meeting’.

- There should be a process to identify and resolve “logjams”.
- The UK needed “urgently to think through:
  - what are the key priorities? (Infrastructure? Water? Power?)
  - what are the blockages?
  - therefore, what needs to be done by whom and when? What large scale projects were needed?
  - and how much will that cost?
  - We should ‘think big’ – e.g., if a new power station was needed, identify where, how big, how much it would cost and let the contracts asap.”

**428.** Baroness Amos commented that “the Prime Minister’s thinking seemed to be that the UK would put in the people; US the money”, and that he did not seem to accept that President Bush might not be able to produce immediate funding.

**429.** Baroness Amos stated that DFID should think “carefully but urgently” about the concerns and proposals presented by Mr Blair. DFID should not simply “reflect back” Mr Blair’s proposals, if those were not exactly what were needed. This could be a very good opportunity to address (unspecified) difficult issues.

**430.** Baroness Amos added that she did not believe that the main problem with the CPA was a lack of people, or that it could be solved by putting more people in. It was more likely to be a lack of strategic thinking.

**431.** Baroness Amos also reported that, after the meeting with Mr Blair, she had agreed with Mr Hoon and Sir Michael Jay that a cross-departmental paper should be produced for the next meeting of the AHMGIR, addressing the points raised by Mr Blair.

**432.** Later on 3 June, Baroness Amos sent Mr Blair a report on her visit to Washington and New York the previous week.<sup>242</sup> She reported that:

“... US inter-agency conflicts are making for bad policy on Iraq, with negligible co-ordination and a potentially dangerous lack of leadership. There is no strategic direction, and no sense of what the US wants to achieve.”

**433.** The solution was for the UK “to set out a clear vision for Phase IV, sell it to President Bush (and hence Rumsfeld) and use it to build alliances beyond the Coalition”.

**434.** Baroness Amos also reported that the World Bank and the IMF had started work on a reconstruction needs assessment. Work was Washington-based, but experts were ready to visit Iraq “as soon as the security situation permits”.

**435.** Baroness Amos confirmed that she would visit Iraq shortly. To maintain the momentum on Iraq, she planned that Mr Benn would visit in July and Mr Chakrabarti in September.

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<sup>242</sup> Letter Amos to Blair, 3 June 2003, ‘Iraq Reconstruction: Next Steps’.

**436.** A draft version of the list of 10 to 15 outstanding, practical issues requested by Mr Blair on 3 June, produced by the IPU, was considered by the 5 June meeting of the AHMGIR, chaired by Mr Straw.<sup>243</sup>

**437.** Mr Straw wrote to Mr Blair later that day:

“We [the AHMGIR] fully shared your view that an enormous amount of work remains to be done. We were concerned that the US was not showing the same energy, focus and drive in the reconstruction effort that they did in the military campaign.

“Colleagues also felt strongly that the US must not be allowed to take UK support for granted. Otherwise, as the US ultimately called the shots, we risked being caught in a position of sharing responsibility for events in Iraq without holding the corresponding power to influence them. In that context, the Treasury expressed worries about the provisional arrangements for disbursing oil revenues from the Development Fund for Iraq ...”<sup>244</sup>

**438.** Mr Straw attached a revised IPU paper, which he described as “setting out what needs to be done to make reconstruction work, containing ideas which would make a big difference to the people of Iraq”. He highlighted the importance of preventing looting and criminality and turning the CPA into an efficient, functioning organisation, adding:

“Unless we put these two foundation stones in place, reconstruction will continue to falter.”

**439.** The IPU paper, entitled ‘Iraq Reconstruction: 30 Day Priorities’, stated that the US and UK needed:

- a clear, coherent strategic plan;
- a timetable for delivering it; and
- regular contact between Mr Blair, President Bush and Ambassador Bremer to review progress and agree next steps.

**440.** The IPU proposed “some specific targets we [the US and UK] should now set ourselves, for delivery within 30 days”, in six areas:

- “1. Restore security ...
2. Agree and implement a strategic plan for the CPA
  - a) Agree specific targets for reconstruction direct with Bremer, and agree the resources needed to deliver them. And then let him get on with his job.
- ...

<sup>243</sup> Minutes, 5 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>244</sup> Letter Straw to Blair, 5 June 2003, ‘Iraq: Winning the Peace’ attaching Paper IPU, 5 June 2003, ‘Iraq Reconstruction: 30 Day Priorities, 5 July 2003’.

- c) Give Bremer and the CPA the means to do their job ... the right people with the right skills ...
  - d) Make the regional network of CPA offices function – with access to funds, good communications, inputs into central policy making ...
3. A clear, transparent Coalition decision-making process
- ...
- b) Development Fund for Iraq: we must get the decision-making right. We are jointly responsible for this, legally and politically ... Need transparent and accountable mechanisms for setting Iraq's budget, priorities for expenditure, and procedures for disbursement – not just post facto auditing.
4. Power, water and sewage
- Repairs to essential infrastructure, and provision of essential services, must be top of CPA's agenda. We need to speed up decision-making process and awarding of sub-contracts ...
5. Restoring normal economic life ...
6. Security sector reform ...”

**441.** In the paper, the IPU did not consider the resources that would be required to achieve those targets or the particular role of the UK.

**442.** Mr Straw also attached a list of projects “which urgently need to be taken forward in and around Basra”, and commented that he, Baroness Amos and Mr Hoon were “keen to get cracking” on them.

**443.** Mr Straw's letter was copied to Baroness Amos, Mr Hoon and other Ministers.

**444.** The Inquiry has seen no indications that a paper on the Iraqi media was produced for Mr Blair (as No.10 had requested on 3 June). The IPU paper listing “30-day priorities” identified the need to “communicate to the Iraqi population what we have already done and what we are trying to achieve”, but did not recommend any associated actions.

**445.** On the same day, Mr Straw sent a personal letter to Mr Blair asking him to raise a number of points “very forcefully” with President Bush, including:

“Contracts: As you know, the US are completely ruthless on favouring US companies, and will not help UK companies unless you play hardball with Bush.”<sup>245</sup>

**446.** Mr Straw offered as an example of this behaviour, a Bechtel sub-contract to install 170 megawatts (MW) of power capacity in Baghdad. Siemens UK had almost secured that contract, but it had now “gone cold”.

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<sup>245</sup> Minute Straw to Blair, 5 June 2003, ‘Iraq’.

**447.** The Government's support for UK businesses is described in Section 10.3.

**448.** Mr Rycroft passed the IPU paper and the list of projects in Basra to Mr Blair on 5 June, under a minute which suggested the "set of big picture but concrete points" that might come out of Mr Blair's meeting with Mr Straw, Mr Hoon and Baroness Amos the following day and which could then be put to President Bush.<sup>246</sup> The minute was copied only within No.10. The points were:

- a. "Security. This is the top priority ...
- b. Sort out the CPA's Organisation. The only way to get round the ... problem is for you to raise directly with Bush.
  - Install proper phones and IT.
  - Delegate more decision-making to the CPA, to avoid ... wrangling.
  - Sort out the communications strategy.
- c. Infrastructure projects. This is where we will be judged by ordinary Iraqis.
  - Get Bechtel to conclude their sub-contract with Siemens UK asap, so Siemens can help restore power capacity.
  - Set up the national phone network.
  - Get UNDP [United Nations Development Programme] and UNICEF to sort out the power and water supplies.
- d. Restoring normal life.
  - Sort out the currency.
  - Open the airports to civil flights.
  - Appoint x to sort out the Iraqi media.
  - Press on with security sector reform.
- e. Basra: see separate list of things we can do in our own area ...
- f. US/UK contacts. ... Since we share legal responsibility as Occupying Powers, we (the UK) may also at times need to have a veto over CPA decisions ..."

**449.** Mr Blair held a further meeting on Iraq on 6 June, to agree the points to put to President Bush.<sup>247</sup> It was attended by Mr Straw and Gen Walker, as well as those who had been present on 3 June.

<sup>246</sup> Minute Rycroft to Prime Minister, 5 June 2003, 'Iraq: Meeting at 0800 on Friday'.

<sup>247</sup> Letter Cannon to McDonald, 6 June 2003, 'Iraq: Prime Minister's Meeting 6th June'.

**450.** Mr Cannon reported the main points from the meeting to Mr McDonald. The meeting had identified “over-zealous” de-Ba’athification and the CPA’s failure to provide funding for the South as causes of insecurity there. It had agreed that:

- Mr Blair should tell President Bush that the UK needed “the decision-making process on a different footing, so that problems are rapidly referred to the highest level and obstacles short-cut”.
- Mr Blair should write to Ambassador Bremer listing specific projects in the Basra area needing immediate CPA funding.
- Baroness Amos would visit “the UK sector” to enhance DFID operations.
- Ms Hewitt should try to visit Iraq to promote the involvement of UK business.

**451.** Mr Blair spoke to President Bush later that day.<sup>248</sup> In his report to Mr McDonald of the conversation, Mr Cannon wrote that Mr Blair had said his main concern was administration; Ambassador Bremer needed to be able to break through the bureaucratic obstacles that he faced.

**452.** Mr Blair raised the difficulty Ambassador Bremer was having accessing the funding he needed. UK projects in Basra had been affected. Mr Blair said that he would write to both Ambassador Bremer and President Bush setting out those projects.

**453.** Mr Blair raised delays in Bechtel’s operations, including unnecessary delays in agreeing a contract for Siemens UK. The US was chasing Bechtel.

**454.** Mr Blair also raised the need for action on replacing Iraq’s currency.

**455.** The Inquiry has seen no indications that Mr Blair wrote to Ambassador Bremer and President Bush, listing the projects requiring immediate CPA funding.

**456.** The Annotated Agenda for the 11 June meeting of the AHMGIR stated that the list of projects “which urgently need to be taken forward in and around Basra”, which Mr Straw had sent to Mr Blair on 5 June, would “for the most part be implemented as quick impact projects, once additional engineering staff are in place (DFID is undertaking urgent recruitment)”.<sup>249</sup>

**457.** The Cabinet Office produced a draft proposal for a new, DFID-led Iraq Rehabilitation Operations Group (IROG) on 10 June.<sup>250</sup> The Cabinet Office proposal stated that, while current administrative structures were “satisfactory and worth keeping”, now that the UK was moving into an “increasingly operational phase” they were no longer sufficient. DFID should lead a new Group with a remit to oversee:

- priorities for expenditure from the Development Fund for Iraq (DFI), including the process of reaching decisions on such expenditures;

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<sup>248</sup> Letter Cannon to McDonald, 6 June 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 6th June’.

<sup>249</sup> Annotated Agenda, 12 June 2003 Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>250</sup> Minute Bowen to DFID, 10 June 2003, ‘Iraq: Management Arrangements’.

- co-ordination of UN, IFI, NGO, ICRC and CPA operational activity;
- implementation of UK-funded reconstruction projects; and
- preparation of regular progress reports to the AHMGIR.

**458.** The IPU would continue to have responsibility for administering UK secondments to the CPA and for SSR.

**459.** DFID sought the FCO's agreement to the draft proposal.<sup>251</sup> An IPU official advised Mr Straw's Private Secretary that, while there was a good case for setting up a DFID-led Group to co-ordinate and implement development activity in Iraq, the proposal as drafted risked fragmenting UK policy-making. It should explicitly state that the IPU remained the "policy lead for CPA issues as a whole" (and not just for administering UK secondments and SSR).

**460.** Sir Michael Jay agreed with that advice.<sup>252</sup>

**461.** Mr Straw agreed that DFID should set up the IROG but, to ensure a coherent UK interface with the CPA, stated that it should report to the AHMGIR through the IPU.<sup>253</sup>

**462.** The DFID-led IROG met for the first time on 15 June.<sup>254</sup> The first IROG Action Plan would be put to the AHMGIR on 3 July.

### Advice on the UK's responsibilities as an Occupying Power

**463.** A paper on the management of the DFI was submitted to the 5 June meeting of the AHMGIR (chaired by Mr Straw).<sup>255</sup>

**464.** The paper stated that while resolution 1483 made the UK jointly responsible (with the US) for disbursements from the DFI, it contained little detail on how the DFI should be managed. The UK needed to settle that issue quickly with the US; spending decisions could start being made in the next few weeks. The management arrangements needed to meet the UK's objectives in terms of transparency and accountability; in particular, the arrangements needed to meet the commitments in the resolution to use resources in the DFI "in a transparent manner" and to ensure that oil sales were "made consistent with international best practice".

**465.** The Annotated Agenda stated that the CPA had circulated a draft regulation which gave the US Administration "sole oversight" over DFI spending.<sup>256</sup> Such an arrangement

<sup>251</sup> Minute IPU [junior official] to PS/Straw, 11 June 2003, 'Iraq: Management Arrangements'.

<sup>252</sup> Manuscript comment Jay on Minute IPU [junior official] to PS/Straw, 11 June 2003, 'Iraq: Management Arrangements'.

<sup>253</sup> Minute Owen to IPU [junior official], 13 June 2003, 'Iraq: Management Arrangements'.

<sup>254</sup> Minute Dodd to Manning, 18 June 2003, 'Iraq: Rehabilitation'.

<sup>255</sup> Annotated Agenda, 5 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper, [undated], 'Implications of and Modalities for the Development Fund for Iraq'.

<sup>256</sup> Annotated Agenda, 5 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

would marginalise UK influence and risk presentational problems, but was not settled US policy. The UK was lobbying in Washington and Baghdad to amend the draft regulation.

**466.** Mr Jon Cunliffe, Treasury Managing Director for Macroeconomic Policy and International Finance, advised Mr Brown the following day that resolution 1483 made the US and UK jointly responsible, as Occupying Powers, for governing Iraq including, specifically, for disbursements from the DFI.<sup>257</sup> The resolution changed the basis on which the UK engaged with the US, but the current framework for making and implementing decisions did not reflect that. As far as economic and financial policy was concerned, it was “a mess” because:

- It was not clear what decisions Ambassador Bremer could take without approval from Washington.
- Ambassador Bremer reported to Secretary Rumsfeld; there was no clear framework in Washington for involving other US departments.
- The UK had no clear involvement in decision-making; what UK-US consultation there was tended to be between No.10 and the White House.

**467.** Mr Cunliffe suggested that this mattered because:

- The UK had responsibility without power. If money was wasted on a large scale, or there was an economic policy failure, or the CPA acted in a way that cut across its mandate under resolution 1483, the UK would be accountable.
- The Treasury had no way to ensure that the right economic and financial policies for Iraq were pursued. Attempts to give the IMF and World Bank a direct role in the use of the DFI had failed.

**468.** Mr Cunliffe reported that he had raised his concerns at the AHMGIR meeting the previous day; Mr Straw and Baroness Amos had been sympathetic. Mr Cunliffe understood that No.10 was considering proposing a joint White House/No.10 group, to which the CPA would report.

**469.** On 9 June, Ms Cathy Adams from the Legal Secretariat to the Law Officers sent a reply to a letter of 21 May from FCO Legal Advisers seeking advice on resolution 1483.<sup>258</sup> The advice relating to the formation of a representative government is described in Section 9.2.

**470.** Ms Adams advised that the resolution clarified the legitimate scope of activity of the Occupying Powers and authorised them to undertake actions for the reform and reconstruction of Iraq going beyond the limitations of Geneva Convention IV and the Hague Regulations. In some cases, such actions had to be carried out in co-ordination

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<sup>257</sup> Minute Cunliffe to Chancellor, 6 June 2003, ‘Iraq Reconstruction’.

<sup>258</sup> Letter Adams to Llewellyn, 9 June 2003, ‘Iraq: Effect of Security Council Resolution 1483 on the Authority of the Occupying Powers’.



with the Special Representative of the Secretary-General (SRSG) or in consultation with the Iraqi interim administration.

**471.** Particular actions that the resolution appeared to mandate were:

- promoting economic reconstruction and the conditions for sustainable development;
- promoting human rights; and
- encouraging international efforts to promote legal and judicial reform.

**472.** To the extent that such actions were not otherwise authorised elsewhere in the resolution or under occupation law, then there was a clear requirement to act only in co-ordination with the SRSG.

**473.** Ms Adams also advised that the resolution clearly imposed joint US/UK responsibility for disbursements from the DFI, and that it was therefore important to ensure that the US Government did not take actions in relation to the DFI which were incompatible with the resolution. She continued:

“The fact that the resolution imposes joint responsibility gives the UK a locus to argue with the US that we should be fully involved in the decision-taking process. Anything less would be legally risky.”

**474.** Ms Adams concluded that the resolution did not grant the Coalition full legislative and executive authority in Iraq, so there was still a need to consider the legality of specific proposals against the requirements of occupation law and the terms of the resolution.

**475.** The following day, 10 June, the CPA issued a regulation that gave Ambassador Bremer, as “Administrator of the CPA”, authority to oversee and control the establishment, administration and use of the DFI and to direct disbursements from the DFI “for those purposes he determines to be for the benefit of the Iraqi people”.<sup>259</sup>

**476.** The regulation also established a Program Review Board (PRB) to develop funding plans and make recommendations to Ambassador Bremer on expenditures from the DFI, “in consultation with the Iraqi interim administration, when established”.

**477.** On 12 June, Mr Brenton wrote to Sir David Manning addressing the “considerable concern around Whitehall that our views are not being taken sufficiently into account in the formulation of policy on governing Iraq”.<sup>260</sup> Mr Brenton described the CPA regulation on the DFI as “obviously flawed” from the UK’s perspective, and the latest and most serious example of that.

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<sup>259</sup> Coalition Provisional Authority, Regulation No.2, 10 June 2003, *Development Fund for Iraq*.

<sup>260</sup> Letter Brenton to Manning, 12 June 2003, ‘Iraq: UK/US Cooperation’.

**478.** The CPA issued a further regulation on 18 June, detailing the operation of the PRB.<sup>261</sup> Voting members of the PRB included representatives of the Iraqi Ministry of Finance and the UK. Non-voting members included the representatives of the IMF, World Bank, UN SRSG and the International Advisory and Monitoring Board (IAMB).

**479.** An IPU update on reconstruction, which was sent to No.10 on 20 June, advised that the DFI Regulations “met some, but not all of our key requirements”.<sup>262</sup>

**480.** The FCO’s covering letter to that update cited the DFI Regulations as one example of the continuing lack of proper consultation with the UK by the US, but added that the Regulations did not cross the UK’s “legal red lines”.

**481.** The UK’s efforts to scrutinise disbursements from the DFI are considered in Section 10.3.

### The first UK plan for reconstruction in the South, 12 June

**482.** Ministers agreed the UK’s first plan for reconstruction in CPA(South) on 12 June. Although the focus remained on securing US and CPA(Baghdad) resources, the plan provided limited, additional UK support for CPA(South) and QIPs. The plan identified a need to agree a source of UK funding to meet the costs of being an Occupying Power, until other (US or Iraqi) sources of funding became available.

**483.** A 12 June PJHQ briefing reported that there was “a trend of intelligence reporting from the UK AOR showing increasing dissatisfaction of the civil populace”.<sup>263</sup> The briefing attributed that to a lack of food, failure to ensure essential services “such as water, electricity and security”, a general increase in anti-Coalition rhetoric from Shia clerics, a lack of accurate information/news reporting, and a lack of progress in the political process.

**484.** The 12 June meeting of the AHMGIR, which was attended by Baroness Amos, Mr Benn and senior DFID officials, considered a joint DFID/MOD paper entitled ‘UK Support to the CPA South Area – Next Steps’.<sup>264</sup> The paper was the response to the commission from the 15 May and 22 May meetings of the AHMGIR for an operational plan for reconstruction in CPA(South).

**485.** The paper began by identifying key actions required to make progress in the South:

- clarifying CPA(South)’s remit, and making it fully operational;

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<sup>261</sup> Coalition Provisional Authority, Regulation No.3, 18 June 2003, *Program Review Board*.

<sup>262</sup> Letter Owen to Rycroft, 20 June 2003, ‘Iraq: Reconstruction Priorities’ attaching Paper IPU, 20 June 2003, ‘Iraq Reconstruction: 30 Day Priorities, 5 June 2003’.

<sup>263</sup> Minute DACOS J3(Ops Sp) and DACOS J2(Int) to MA/DCJO(Ops), 12 June 2003, ‘Relations with the Basrah Population’.

<sup>264</sup> Annotated Agenda, 12 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper DFID/MOD, 11 June 2003, ‘UK Support to the CPA South Area – Next Steps’.

- restoring Iraqi public administration;
- maintaining and improving law and order;
- improving public communications; and
- internationalising the Coalition effort.

**486.** This required urgent action by CPA(Baghdad), in particular to:

- clarify CPA(South)'s remit;
- ensure US companies delivered on their contracts to provide operational support to CPA(South) and repair essential infrastructure; and
- provide “operating/emergency” funding for Iraqi institutions.

**487.** The paper assessed:

“CPA(South) is unable to deliver in terms of determining priority needs, overseeing implementation, or supporting the political transition. There is a lack of vision; CPA(South) is severely undermanned; and has almost no systems or resources in place to deliver any tangible improvements soon. In consequence, 1 (UK) Div retains almost all executive authority in the UK area of operations (AO). In turn, locals look to the British military, not CPA(South), to address local problems. To the extent that these functions are being carried out at present, it is due to the unstinting efforts of 1 (UK) Div, the few UK secondees in the South, and, more importantly, the high quality of the Iraqi counterparts they are working with.”

**488.** UK actions to strengthen CPA(South) included:

- Exploring the possibility of establishing a CPA(South) Liaison Team in CPA(Baghdad), to track policy development and champion the South.
- CPA(South) needed more senior staff. DFID/FCO would “look for” a “Director of Operations” to support Ambassador Olsen. The UK should provide at least one and ideally two of the CPA representatives in the Governorates.
- CPA(South) also needed more staff at working level. DFID would “look to recruit” additional specialist staff.
- The lack of an effective CPA(South) communications operation was a major constraint. 1 (UK) Div and DFID would complete a joint assessment of needs by 11 June.
- While discussions continued between CPA(South) and CPA(Baghdad) on securing operating funds for CPA(South), 1 (UK) Div would provide administrative support to CPA(South) and DFID would look to deploy an office management team as soon as possible. That team would have access to operating funds for up to three months, if required.

**489.** The paper assessed that a functioning Iraqi public administration was essential for “a return to normalcy”. UK actions to restore it included:

- CPA(South) and UK representatives would continue to press CPA(Baghdad) to release funds for the operating budget; this would also require a “high level political push”. There was a risk that those funds would not immediately be forthcoming: “We [the UK] therefore need to identify a line of funding that will – effectively – cover the costs of being an Occupying Power until other sources are freed up. Realistically, this might be for three months.”
- 1 (UK) Div would continue to focus QIPs on restoring public infrastructure, and DFID would continue to fund similar activity through UN agencies and NGOs.

**490.** The paper stated that the “total UK package” would be worth £26m over the six-month period to October, comprising:

- £5m from DFID for QIPs<sup>265</sup> (in addition to the £10m already held by the UK military);
- up to £10m from DFID for additional senior and support staff, equipment and if necessary operating costs for CPA(South); and
- £1m from the Global Conflict Prevention Pool for police training.

**491.** The paper also stated that the UK’s AOR would expand to four Governorates to match the CPA(South) area.

**492.** The Annotated Agenda for the meeting stated:

- The UK had “a fluctuating contingent” of around 70 secondees in the CPA.
- Security in the South remained fragile. Iraqi frustration with the pace of progress could cause the situation to deteriorate. The UK’s ability to “push the pace” would be constrained by the reduction in UK military force strength following the transition to the 3rd (UK) Mechanised Division.

**493.** Ministers noted the main recommendations in the DFID/MOD paper and agreed the UK should:

- “press CPA headquarters to agree the mandate for CPA(South), to ensure US firms deliver on their contracts, and to provide budgets so that Iraqi public institutions are able to get back to work;
- seek to co-ordinate the UK and CPA reconstruction efforts in the South with the armies and development agencies of incoming military contingents;
- increase the number of DFID advisers and other staff in CPA(South), particularly in the area of project management;

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<sup>265</sup> The DFID/MOD paper also stated that DFID would provide £6m for QIPs. The Inquiry concludes that £5m is the correct figure.

- take forward measures to improve the synergies between the UK-led Division and CPA(South);
- strengthen CPA(South) information capacity and examine projects to foster regional media;
- take forward projects to improve law and order and re-establish local administration, including by increasing UK funding for quick impact projects from £10m to £16m, using DFID resources; and
- spread UK experience and best practice to the two new provinces in the UK-led military sector.”<sup>266</sup>

**494.** Closing the meeting, Mr Straw commissioned “a short Iraq strategy paper” for the next meeting, “agreed at UK official level prior to seeking agreement with the US”.

**495.** The Cabinet Office wrote to the IPU on 16 June to propose that work on that strategy paper should not continue because: “It now transpires that the CPA is in the process of drafting its own strategy/vision document.”<sup>267</sup> It would be more sensible to feed UK views into that document.

**496.** The meeting of the AHMGIR officials’ group on the following day invited departments to send comments on the CPA’s strategy paper to the IPU.<sup>268</sup> Comments should include the need to consider:

“... environmental and sustainable development issues, the role of women in the political process and reconstruction generally, the need for a more prominent reference to the role of UN and the IFIs, and more specific legal wording; UNSCR 1483 did not give the CPA carte blanche.”

**497.** The officials’ group agreed that the UK needed to impress on Ambassador Bremer and the US “our right to be consulted” on such a fundamental joint Coalition document.

**498.** The CPA’s strategy documents – ‘Vision for Iraq’ and ‘Achieving the Vision’ – were finalised in July and are described later in this Section.

**499.** Mr Andy Bearpark arrived in Baghdad on 16 June to take up the post of CPA Director of Operations.<sup>269</sup> He was the most senior UK official within the CPA.

**500.** Mr Bearpark told the Inquiry that he had received “very straightforward” instructions during a meeting with Baroness Amos and Mr Chakrabarti before his deployment:

“Look, Andy, it is chaos out there. Nobody has the faintest idea of what’s going on ... We know you have got sharp elbows when you need to. Go out there and use them and see what happens’ ...”<sup>270</sup>

<sup>266</sup> Minutes, 12 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>267</sup> Minute Dodd to Crompton, 16 June 2003, ‘Iraq: Ad Hoc Ministerial’.

<sup>268</sup> Letter Dodd to Manning, 18 June 2003, ‘Iraq: Rehabilitation’.

<sup>269</sup> Paper Cabinet Office, 18 June 2003, ‘Update for Ministers’; Statement Bearpark, 25 June 2010, page 1.

<sup>270</sup> Public hearing, 6 July 2010, page 13.

**501.** He had also been told that he should “owe his allegiance” to the CPA rather than the UK Government.<sup>271</sup> Ambassador Bremer had appreciated and welcomed that position.

**502.** Mr Bearpark told the Inquiry that Ambassador Bremer had described his role as “like a chief operations officer in a private company”.<sup>272</sup> That included responsibility for staffing, life support and the flow of funds to CPA regional offices.

**503.** Mr Bearpark also told the Inquiry that, shortly after arriving in Baghdad, Ambassador Bremer asked him to take on responsibility for all the Iraqi infrastructure ministries with the exception of the Ministry of Oil.<sup>273</sup> At that point, his title had changed to Director of Operations and Infrastructure.

**504.** The Inquiry asked Mr Bearpark why the oil sector had not been included in his remit.<sup>274</sup> He replied:

“It was never, ever said to me officially – and it was certainly never, ever put in writing, but every member of my staff ... said that it was perfectly obvious that I couldn’t be put in charge of oil because I really wasn’t American ... [and] oil would remain an American interest.

“So it was a very specific instruction from Bremer that I was not in charge of the Oil Ministry.”

**505.** The UK’s exclusion from oil sector policy during the CPA period is described in Section 10.3.

**506.** The UN Development Programme hosted technical consultations on Iraq’s reconstruction needs on 24 June.<sup>275</sup>

**507.** The UK Permanent Mission to the UN in New York (UKMIS New York) reported that Mr Cunliffe, the head of the UK delegation at the consultations, had set out four priorities including agreement on a multi-donor mechanism for channelling external resources to reconstruction projects. UKMIS New York commented that Japan, Australia and the European Commission in particular wanted “an alternative to the DFI”.

**508.** UKMIS New York reported that the event was “a positive first step towards the internationalisation of the reconstruction effort”, with the UN and IFIs now “proactively engaged”. There was agreement to hold a formal donor conference, probably in October 2003. Donor interventions were “upbeat”, reflecting a widespread commitment to reconstruction. But there were important caveats; donors wanted to see early progress

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<sup>271</sup> Statement Bearpark, 25 June 2010, page 1.

<sup>272</sup> Public hearing, 6 July 2012, pages 5 and 7.

<sup>273</sup> Public hearing, 6 July 2012, page 5.

<sup>274</sup> Public hearing, 6 July 2012, page 71.

<sup>275</sup> Telegram 1011 UKMIS New York to FCO London, 24 June 2003, ‘Iraq: Technical Consultations on Reconstruction Needs, New York, 24 June’.

in establishing a representative Iraqi Government and assurances from the CPA that there would be budgetary transparency and accountability.

**509.** On 24 June, Mr Blair held a meeting to discuss Iraq, attended by Mr Straw, Mr Hoon, Baroness Amos, CDS and officials.<sup>276</sup>

**510.** Mr Hoon reported that Ambassador Olsen, Head CPA(South), was considering resigning over the lack of funding provided for CPA(South) by CPA(Baghdad). This was an opportunity to replace him with a British official. Mr Cannon's record of the meeting, which was copied to Baroness Amos, asked the FCO for advice on that point.

**511.** A draft of the CPA's strategic plan was provided to the 26 June meeting of the AHMGIR.<sup>277</sup> The Annotated Agenda described the draft as "a good basis for further work" but "still deficient"; it did not include dates for the restoration of a full sovereign Iraqi Government, lacked reference to macro-economic management and the environment, exaggerated the role of the free market, did not include proper linkage to resolution 1483, and was "not in a form digestible to Iraqi and regional audiences".

**512.** The AHMGIR agreed that officials should push for improvements to the CPA's strategic plan, particularly on macro-economic issues and linkage to resolution 1483.<sup>278</sup>

**513.** The AHMGIR also asked for a weekly assessment of progress in "each of the key areas" and a daily update. Reports should bring out what was being done in the South, what the MOD and DFID could do and what would need CPA intervention.

**514.** The first of those weekly assessments was produced for the next meeting of the AHMGIR, on 3 July.

**515.** Mr Blair spoke to President Bush on 26 June.<sup>279</sup> Mr Blair set out the huge scale of the reconstruction task and suggested that he and President Bush should hold a video conference to work through all the reconstruction issues.

**516.** Dr Condoleezza Rice, US National Security Advisor, called on Mr Blair on the same day.<sup>280</sup> Mr Blair emphasised the need for the CPA to be "empowered". Problems remained in moving funds from CPA(Baghdad) to CPA(South). Mr Blair hoped that, with some "easy wins" on infrastructure, the South could become a "showcase", since the situation was easier there.

**517.** Dr Rice called on Mr Hoon on 27 June.<sup>281</sup> Reflecting on Mr Blair's conversation with President Bush the previous day, she said that they had agreed that "we were

<sup>276</sup> Letter Cannon to Owen, 25 June 2003, 'Iraq: Prime Minister's Meeting, 24 June'.

<sup>277</sup> Annotated Agenda, 25 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper CPA, [undated], 'OCPA Strategic Plan'.

<sup>278</sup> Minutes, 26 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>279</sup> Letter Rycroft to MacDonald, 26 June 2003, 'Prime Minister's Discussion with President Bush, 26 June'.

<sup>280</sup> Letter Rycroft to McDonald, 26 June 2003, 'Prime Minister's Meeting with Condi Rice, 26 June'.

<sup>281</sup> Letter Williams to McDonald, 27 June 2003, 'Defence Secretary's Meeting with Condi Rice – 27 June 2003'.

'doing alright' so far, but this would soon not be good enough". She undertook to raise the problem of moving funds from CPA(Baghdad) to CPA(South) in Washington.

**518.** Mr Hoon said that the South could be an example of progress for the whole of Iraq. Dr Rice responded that it was important that the South should be a success.

**519.** Dr Rice asked if the drawdown of UK forces in southern Iraq meant a lessening of UK commitment to the area. Mr Hoon replied that force levels were based on an assessment of the security situation. He added that it was important that "significant funds" for reconstruction flowed into the area if a successful outcome was to be achieved.

**520.** Dr Rice called on Sir David Manning on the same day. Sir David expressed concern about the lack of consultation by the US with the UK.<sup>282</sup> Dr Rice indicated that she had heard about the problems, and had "taken these on board".

### **Making CPA(South) a model**

**521.** Baroness Amos visited Iraq from 25 to 26 June, the first visit to Baghdad by a Cabinet Minister since the fall of Saddam Hussein's regime.<sup>283</sup> She met a range of Iraqi officials, a group of Iraqi women, Mr Vieira de Mello, Ambassador Bremer and UK officials.

**522.** In her initial report to Mr Blair on 27 June, Baroness Amos advised that life in Basra had regained an air of normality.<sup>284</sup> However, Iraqi expectations were high; restoring services to pre-war levels would not be enough. CPA(South) was administratively very weak. The UK could make the South "a 'model'", but this would require a clear vision of what should be done and strong leadership. Baroness Amos recommended Ambassador Olsen's immediate replacement.

**523.** Baroness Amos also highlighted the lack of communication between the CPA and the Iraqi people, both in Basra and Baghdad: "Rumours of our intent and motives feed insecurity. People still think we are in it for the oil."

**524.** On the same day, the FCO advised No.10 that the UK should seek to replace Ambassador Olsen with a UK official, if he carried out his threat to resign.<sup>285</sup> An effective UK official could improve CPA(South)'s performance and give a boost to reconstruction. The UK would in any case probably want to provide a successor to Ambassador Olsen when his tour ended in October. The FCO's advice was not copied to other government departments.

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<sup>282</sup> Letter Rycroft to McDonald, 27 June 2003, 'Iraq: Meeting with Condi Rice, 27 June'.

<sup>283</sup> Telegram 56 IraqRep to FCO London, 26 June 2003, 'Iraq: Baroness Amos Visit'.

<sup>284</sup> Letter Amos to Blair, 27 June 2003, 'Iraq'.

<sup>285</sup> Letter Owen to Rycroft, 27 June 2003, 'Iraq: Ambassador Olsen'.



**525.** Baroness Amos appeared before the International Development Committee (IDC) on 30 June.<sup>286</sup> Mr Tony Worthington invited Baroness Amos to clarify the Government's "aspirations" in Iraq, including "about having a sort of British zone", enabled by some devolution of powers from CPA(Baghdad). Baroness Amos replied:

"... we see the South very much as a European zone ... rather than just a British zone. The Italians are coming in soon. There is a Dane [Ambassador Olsen] who is running CPA(South) ... The Coalition effort is now very broad."

**526.** Baroness Amos sent a fuller report of her visit to Iraq to Mr Blair on 2 July.<sup>287</sup> In her covering letter, she advised that security was the "overwhelming – and immediate – priority". The UN planned to scale back the number of international UN staff in Baghdad, from 300 to 200, on security grounds. Baroness Amos commented:

"This will send an extremely negative signal to both Iraqis and the international community and – if it takes effect for more than a few weeks – it will also have a major impact on our recovery and reconstruction effort ... We should look again at the number of troops in theatre and be prepared to put more Coalition (or other international) troops on the ground if that is required."

**527.** Baroness Amos stated that the UK's focus on security in the South (leaving security in Baghdad largely to the US) was not good enough. Security across Iraq was the single most important factor in determining the success or failure of political and reconstruction efforts. The Coalition was running out of time.

**528.** Baroness Amos highlighted three priorities from her report:

- security;
- agreeing a clear timetable for political transition and communicating it to the Iraqi people; and
- "urgent actions to effect palpable, significant and immediate improvements in the lives of the Iraqi people".

**529.** Baroness Amos concluded by asking that Mr Blair raise two issues with President Bush when they spoke the following day:

- the urgent need to grip security in Baghdad; and
- the need for a public and well-communicated timetable for the political transition.

**530.** Baroness Amos's report stated that, in many respects, life in Basra and Baghdad was "returning to normal". In Basra, water and sanitation services were back at pre-conflict levels, a possible cholera epidemic had been contained, the public health

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<sup>286</sup> International Development Committee, Session 2002-2003, *Examination of Witnesses (Questions 60-77)*, 30 June 2003.

<sup>287</sup> Letter Amos to Blair, 2 July 2003, [untitled], attaching Report, [undated], 'Iraq: Visit Report'.

surveillance system was being re-established, hospitals and clinics were functioning again, and police stations had been refurbished.

**531.** CPA(Baghdad) was functioning more effectively, helped by the good relationship between Mr Sawers and Ambassador Bremer and the arrival of Mr Bearpark. However, across the CPA, there were:

“... still too many people with the wrong skill set – policy focus rather than operational expertise, and insufficient experience of post-conflict developing country situations.”

**532.** Across Iraq, food distribution was going well, salaries had been paid, an interim budget was being developed, the oil sector was recovering well, and Bechtel had completed its assessment of immediate needs and would shortly begin a series of projects.

**533.** The report also identified a number of priorities, including:

- security;
- the justice and security sector;
- the political process;
- kick-starting the economy; and
- better communication with the Iraqi people, to manage expectations and address “conspiracy theories and rumours”.

**534.** The report concluded that “without improved security, little else is possible”. Iraqis were increasingly frustrated with the perceived lack of progress, and “time was running out fast”. The Coalition needed to accelerate progress.

**535.** Baroness Amos made a number of recommendations, including:

“Make CPA(South) a model

- We need to replace Olsen. If that is not possible immediately, we should strengthen the senior management team around him; and provide other staff as required.

...

“Strengthen CPA (Baghdad)

- Provide whatever additional staff are required with the right skill ...

...

“Public Services

- Electricity supply lies at the root of many of the public service problems ... I stand ready to provide additional resources if they are required to support emergency rehabilitation.”

**536.** Baroness Amos' meetings with Mr Vieira de Mello and Ambassador Bremer focused on the political process and are considered in Section 9.2.

**537.** Sir David Manning sent a note to Mr Blair on 2 July, in advance of a video conference between Mr Blair and President Bush, offering advice on the conversation.<sup>288</sup> He stated:

“This is a key exchange.”

**538.** Of the messages that were vital to get across, Sir David identified security as the top priority and suggested (noting that the MOD would probably disagree) a surge of large numbers of troops into Iraq to get through the “security crisis”. This should be accompanied by an accelerated reconstruction programme and a “very vigorous political programme” plus an effective media strategy.

**539.** Cabinet met on 3 July, before the video conference.<sup>289</sup> In the course of the meeting, Mr Straw, Baroness Amos and Mr Hoon all emphasised that security was the main issue. Mr Blair concluded that the UK should make CPA(South) “a model”.

**540.** The video conference took place later that day. In addition to the President and Mr Blair, Mr Hoon, Mr Rumsfeld, Vice President Cheney and senior UK and US officials joined the conference in London and Washington. Ambassador Bremer, Mr Sawers and General Ricardo Sanchez, Commander Combined Joint Task Force – 7, dialled in from Iraq.

**541.** Mr Blair began by congratulating Ambassador Bremer on the “remarkable performance” of the CPA.<sup>290</sup>

**542.** Mr Blair then listed areas of concern, including:

- Security. This was hampering CPA efforts at reconstruction; what more did the CPA need?
- Reconstruction. Mr Blair underlined the urgency of rebuilding power and water infrastructure and asked whether there were particular obstacles that needed to be removed. He observed that Iraqi public expectations were outrunning the CPA's capacity to respond.
- Communications. It was essential to improve the CPA's capacity to communicate with the people of Iraq and handle the local and international media.

**543.** Mr Blair concluded that the UK would do its “level best to meet any demand for additional resources. If there were any obstacles that needed clearing, Sawers/Bremer should tell him.”

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<sup>288</sup> Minute Manning to Prime Minister, 2 July 2003, ‘Iraq: Your Video Conference with President Bush’.

<sup>289</sup> Cabinet Conclusions, 3 July 2003.

<sup>290</sup> Letter Cannon to McDonald, 3 July 2003, ‘Iraq: Prime Minister's Video-Conference with President Bush, 3 July’.

**544.** The AHMGIR met later on 3 July, chaired by Mr Hoon.

**545.** The Annotated Agenda for the meeting, prepared by the Cabinet Office, reported that the security situation was “constraining the reconstruction work of the CPA, the UN and other international actors”.<sup>291</sup> As a result of security concerns, UK CPA secondees were operating a night-time curfew.

**546.** On CPA(South), the Annotated Agenda stated that Ambassador Olsen was leaving soon; the UK was looking for a strong UK replacement. There had been some progress in resolving funding and other issues between CPA (South) and CPA(Baghdad), but operational funding had still not arrived.

**547.** In discussion, Ministers said that “there was no need, at present, to increase UK forces”.<sup>292</sup>

**548.** Mr Hoon, as Chair of the AHMGIR, summed up the discussion stating “real improvements [in security] would depend in part on progress on political reform and reconstruction”.

**549.** The AHMGIR was also provided with:

- a draft UK Action Plan covering “political reform, security, economic and physical reconstruction” for June to September 2003, which had been produced by the DFID-led IROG;
- the statement of progress on rehabilitation which they had requested at their previous meeting (on 26 June);
- a paper from the Department for Environment, Food and Rural Affairs (DEFRA) on environmental reconstruction; and
- a paper from the MOD on the clearance of unexploded ordnance (UXO) and depleted uranium (DU).<sup>293</sup>

**550.** The draft UK Action Plan listed existing and planned activities to the end of September 2003 which, taken together, and assuming continued engagement by the US, UN and IFIs, should lead to tangible progress towards the strategic objective of:

“A free Iraq at peace with its neighbours and governed by a Government representative of all strands of society.”<sup>294</sup>

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<sup>291</sup> Annotated Agenda, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>292</sup> Minutes, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>293</sup> Annotated Agenda, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper MOD, 2 July 2003, ‘Current policies and activities relating to clearance of unexploded ordnance (UXO) and depleted uranium (DU) in Iraq’ and Paper DEFRA, 1 July 2003, ‘Environmental Reconstruction in Iraq’.

<sup>294</sup> Annotated Agenda, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation Meeting attaching Paper [draft], 2 July 2003, ‘Iraq Rehabilitation Plan June – September 2003’.

**551.** The Action Plan defined objectives, indicators and activities (ranging from sending secondees to the CPA to joint UK-Iraqi patrolling in Basra) in nine areas:

- political process;
- strategic communications;
- public administration;
- law and order;
- needs of the vulnerable;
- repairs to public infrastructure;
- oil industry;
- economic management; and
- medium term needs assessment.

**552.** The statement of progress on rehabilitation, which had been produced by “officials in London, in liaison with colleagues in Iraq”, listed key issues, “current facts”, “UK inputs” and “next steps” in six areas:

- security;
- public infrastructure;
- public administration;
- humanitarian relief;
- macro-economic issues; and
- the political process.<sup>295</sup>

**553.** Ministers endorsed the draft Action Plan and agreed that they should receive weekly statements of progress, with baselines added.<sup>296</sup>

**554.** The Annotated Agenda for the AHMGIR stated that Iraq faced a range of environmental problems as a result of successive conflicts, poor environmental management under Saddam Hussein, and limited regional co-operation on natural resource management.<sup>297</sup> Ministers were invited to agree that:

- Environmental reconstruction and sustainable development issues should be factored into UK, Coalition and international policy towards Iraq.
- The UK should support the work of the UN Environment Programme (UNEP), including by considering part-funding their post-conflict assessment.
- The UK should tackle UXO and DU on the basis of the scale of risk posed to the Iraqi population.

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<sup>295</sup> Minute Dodd to Cannon, 4 July 2003, ‘Iraq: Rehabilitation’.

<sup>296</sup> Minutes, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>297</sup> Annotated Agenda, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

- Notwithstanding the lack of legal obligation, the UK should mark and clear up expended surface but not sub-soil DU “on an opportunity basis”.

**555.** The Annotated Agenda stated that the UK was assisting explosive clearance by providing information, advice and £5m in DFID funding to UN agencies and NGOs. The MOD was providing information on sites where DU had been used to international agencies and local communities.

**556.** Ministers agreed that:

- Environmental issues should be factored into overall policy towards Iraq and that the UK should consider part-funding the UNEP assessment.
- The UK should tackle depleted uranium (and unexploded ordnance) “on the basis of the scale of risk posed to the Iraqi population, but clear up depleted uranium from the surface”.<sup>298</sup>

### The focus of the CPA’s media operations

Mr John Buck deployed to Iraq at the end of May 2003, as the CPA’s interim Director of Strategic Communications.

He provided an assessment of the CPA’s communication effort on his departure from Baghdad at the end of June.<sup>299</sup> Considerable progress had been made. A single structure had been established and a single information campaign (focusing on getting the Iraqi people accurate messages about key CPA policies on security, the economy, and infrastructure and salary payments) had been agreed. The major challenge was to ensure that this new structure was fully staffed; a successor to Mr Buck had not yet been nominated.

Mr Buck told the Inquiry that, at the time he left Iraq, there was an “embryo” of an effective CPA media operation.<sup>300</sup> However, from his perspective as the new FCO Director Iraq, that operation subsequently became much less effective:

“... it was something we [the FCO] agonised over a lot, but it was never something that we had a great deal of control over, and I think part of the problem was that over time during the autumn, the focus of the US became very much the Presidential elections. So the whole focus of the media operation became far more domestic ... relaying back to the US what was happening [rather] than actually communicating with the Iraqi people.”

Mr Andy Bearpark, CPA Director of Operations and Infrastructure, echoed that assessment, and also set out the danger of not communicating effectively with the Iraqi people:

“At that stage ... the CPA strategic communications effort was entirely directed at the American people. So there was an enormous effort to explain back to the States what was happening, but zero effort to explain to the Iraqi people what was happening.

<sup>298</sup> Minutes, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>299</sup> Telegram 53 IraqRep to FCO London, 25 June 2003, ‘Iraq: CPA: Getting the Message Across’.

<sup>300</sup> Public hearing, 31 January 2011, page 101.

“... In that atmosphere, it means that myths can grow very, very quickly and in very dangerous ways. So one myth that grew, which is absolutely ludicrous ... was that the electricity was in fact being produced but it was being stolen by the Americans.”<sup>301</sup>

**557.** On 7 July, Ambassador Bremer announced:

- He had approved the interim Iraqi budget for 2003.<sup>302</sup>
- The Coalition would print and distribute new banknotes for Iraq, to replace both the “Swiss Dinar” (used in the Kurdish North of Iraq) and the “Print Dinar” (used elsewhere) by mid-January 2004. The Print Dinar was inconvenient to use, coming in only two denominations, and easy to counterfeit. Swiss Dinar banknotes had been in circulation since at least 1990, and were falling apart.
- The Central Bank of Iraq was now independent.<sup>303</sup>

**558.** Mr Brown was briefed by a Treasury official the following day that UK officials had helped to develop the interim budget and the plan to print and distribute new banknotes.<sup>304</sup> Both decisions should help to establish macroeconomic stability in Iraq. Earlier UK concerns over the legitimacy of printing a new currency had been met. The UK had not been consulted over the decision to make the Central Bank independent; the Treasury had not been expecting the announcement.

**559.** The Annotated Agenda for the 10 July meeting of the AHMGIR reported those changes:

“Bremer has also announced the independence of the Iraqi Central Bank ... the announcement has taken all by surprise. It is not clear if De Mello was fully consulted ... We are trying to clarify the situation.”<sup>305</sup>

## Establishing a British Fiefdom in the South, July 2003

**560.** In July, the UK Government sought to replace Ambassador Olsen as Head of CPA(South) with a British official but did not address the implications, including the resource implications, of that decision.

**561.** Sir Michael Jay reported to FCO and IPU colleagues on 7 July that he had discussed Ambassador Olsen’s future with his Danish colleague, Mr Friis Petersen.<sup>306</sup>

<sup>301</sup> Public hearing, 6 July 2010, pages 23–24.

<sup>302</sup> Coalition Provisional Authority, Press Release, 7 July 2003, *Text of Ambassador Bremer’s Address to the Iraqi People: Budget and Banknotes*.

<sup>303</sup> Coalition Provisional Authority, Order No. 18, 7 July 2003, *Measures to Ensure the Independence of the Central Bank of Iraq*.

<sup>304</sup> Minute Treasury [junior official] to Chancellor, 8 July 2003, ‘Iraq: Announcements on Currency and Budget for 2003’.

<sup>305</sup> Annotated Agenda, 10 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>306</sup> Minute Jay to Chaplin, 7 July 2003, ‘Ambassador Olsen’.

**562.** Sir Michael asked colleagues for advice on possible successors to Ambassador Olsen. Sir Michael commented that, while he could “see the arguments” for a British replacement, the UK should “at least consider” appointing someone other than a US or UK citizen, to demonstrate the international dimension to Iraq’s reconstruction.

**563.** Mr Neil Crompton, Mr Chilcott’s successor as Head of the IPU, replied on 9 July.<sup>307</sup> He recalled that Sir Michael had discussed the question of whether to seek a British or international replacement with Mr Chaplin and others, and had concluded that the FCO should seek a British replacement. That conclusion had strong support across Whitehall:

“... where there is desire for a leader with strong political and managerial skills, who can gain Bremer’s trust, and lead the whole operation in the British AOR.”

**564.** Mr Crompton identified a number of possible candidates for Ambassador Olsen’s successor, including Sir Hilary Synnott.

**565.** The Annotated Agenda for the 10 July meeting of the AHMGIR invited Ministers to note and agree that the UK should:

**“... increase our effort in CPA (South) as required. This should include replacing Ambassador Olsen with a suitably strong UK figure.”**<sup>308</sup>

**566.** The AHMGIR agreed:

- Secondments to the CPA should be maintained at “approximately the current level”, but matched more closely to requirements, with more specialist than policy staff.
- The UK effort in CPA(South) should be increased “as required”, including through the appointment of a “suitably strong UK figure” to replace Ambassador Olsen.<sup>309</sup>

**567.** Multi-National Division (South-East) (MND(SE)) was formally established on 12 July, coinciding with the handover from 1 (UK) Div to 3rd (UK) Mechanised Division.<sup>310</sup>

**568.** The 16 July Chiefs of Staff meeting commented:

“Although mindful of the Prime Minister’s imperative for exemplar operations in the South, the strong advice from UK representatives in the CPA was for the UK to spread its influence and thus avoid being left to run the South without strong links to US resources.”<sup>311</sup>

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<sup>307</sup> Minute Crompton to FCO [junior official], 9 July 2003, ‘Iraq: Replacement for Ambassador Olsen’.

<sup>308</sup> Annotated Agenda, 10 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>309</sup> Minutes, 10 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>310</sup> Report Lamb, 30 January 2004, ‘Post Operational Tour Report – Version 1 Operation Telic 2/3 11 July to 28 December 2003’.

<sup>311</sup> Minutes, 16 July 2003, Chiefs of Staff meeting.



**569.** The Annotated Agenda for the 17 July meeting of the AHMGIR stated that the CPA had decided to create Governorate Teams (GT) in each of Iraq's 18 governorates.<sup>312</sup> The UK was likely to be asked to provide leaders for four of those GTs.

**570.** The Annotated Agenda reported that Mr Bearpark recommended against concentrating the UK contribution to GTs in the four southern governorates on the grounds that an all-UK sector might have more difficulty in accessing funds from Baghdad.<sup>313</sup> A spread of representation would also give the UK sight of developments across Iraq.

**571.** At the meeting, Ministers were informed that Sir Hilary Synnott, a former British High Commissioner to Pakistan, had been appointed as Head of CPA(South), to succeed Ambassador Olsen.<sup>314</sup>

**572.** Ministers agreed that the UK should shift emphasis over time from regional areas of operation to governorates and should explore the possibility of leading two teams in CPA(South East) and one each in CPA(South) and CPA(North). Ministers requested firm recommendations for the following week.

**573.** The 24 July meeting of the AHMGIR agreed that the UK would offer to lead four GTs, two in the South East, one in the Kurdish area, and one elsewhere in the Sunni area "but not in the less stable central areas around Baghdad".<sup>315</sup>

**574.** By 25 July, close to 100 UK personnel were seconded to the CPA, 30 of them in Basra. Section 15.1 describes UK staffing for the CPA in more detail.

### CPA's 'Vision for Iraq' and 'Achieving the Vision' implementation plan

**575.** Officials had agreed in June that the UK should contribute to the development of the CPA's strategy, rather than develop a strategy of its own.

**576.** Mr Sawers reported on 6 July, as part of a general update of developments in the CPA, that the CPA's strategic plan was at an advanced stage of drafting and in "pretty good shape".<sup>316</sup> UK officials were feeding in concerns that it needed to be clearer about the scope for economic change, and to give a higher profile to the UN's "independent role".

**577.** The IPU welcomed the news, commenting that it had thought the strategic plan was "lost in the weeds".<sup>317</sup>

<sup>312</sup> Annotated Agenda, 17 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>313</sup> Annotated Agenda, 17 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper Iraq Policy Unit, 14 July 2003, 'Ad Hoc Ministerial Meeting: 17 July, (Annex C) Future Staffing of the CPA'.

<sup>314</sup> Minutes, 17 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>315</sup> Minutes, 24 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>316</sup> Telegram 69 IraqRep Baghdad to FCO London, 6 July 2003, 'Iraq: CPA Activity'.

<sup>317</sup> Telegram 27 FCO London to IraqRep Baghdad, 7 July 2003, 'Iraq Priorities'.

**578.** The Iraqi Governing Council met for the first time on 13 July (see Section 9.2). The CPA and the Governing Council agreed that the CPA would be “required to consult” the Governing Council on “all major decisions and questions of policy”.

**579.** Mr Blair visited Washington on 17 July.<sup>318</sup> Mr Blair urged President Bush to focus on a media strategy for communicating with the Iraqi people, to ensure they understood that the US and UK were there to help and were improving basic services. It was those opposed to Coalition Forces who were responsible for the power shortages. Mr Blair proposed that UK and US media professionals should work out a media plan. If more resources were needed, they should be made available.

**580.** Mr Blair said that if security could be improved, the pace of reconstruction could quicken.

**581.** The Annotated Agenda for the 17 July meeting of the AHMGIR advised that the CPA’s ‘Vision for Iraq’ had been finalised.<sup>319</sup> Although not perfect, it met the UK’s (unspecified) “basic requirements”.

**582.** *Hard Lessons* recorded that senior Pentagon officials had approved the CPA’s ‘Vision for Iraq’, which had been drafted by the CPA’s Office of Strategic Planning, on 18 July.<sup>320</sup>

**583.** The ‘Vision for Iraq’ was underpinned by an implementation plan, ‘Achieving the Vision to Restore Full Sovereignty to the Iraqi People’, which was circulated to members of Congress on 23 July.<sup>321</sup>

**584.** ‘Achieving the Vision’ defined the CPA’s “primary goal” as:

**“... a unified and stable, democratic Iraq that provides effective and representative government for the Iraqi people; is underpinned by new and protected freedoms and a growing market economy; is able to defend itself but no longer poses a threat to its neighbours or international security.”<sup>322</sup>**

**585.** It defined four “principal objectives or ‘core foundations’”:

- security – establishing a secure and safe environment;
- essential services – restoring essential services to an acceptable standard;
- economy – creating the conditions for economic growth;
- governance ...”

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<sup>318</sup> Letter Rycroft to Adams, 18 July 2003, ‘Prime Minister’s Visit to Washington, 17 July’.

<sup>319</sup> Annotated Agenda, 16 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>320</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>321</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

<sup>322</sup> Paper CPA, 21 July 2003, ‘Achieving the Vision to Restore Full Sovereignty to the Iraqi People’.

**586.** *Achieving the Vision* also defined a large number of subsidiary objectives, and set targets for those objectives for October 2003, January 2004 and “February 2004 onwards”. The target for power generation was to generate 4,000MW by October 2003 and 5,000MW by January 2004 (from a base of 2,700MW in May 2003).

**587.** *Hard Lessons* assessed:

“The CPA’s *Achieving the Vision* suffered from some serious flaws. First, Iraqis were not sufficiently consulted on it. The Iraqi Governing Council ... was never given a chance to provide advice on it ... The CPA also had established overly ambitious infrastructure outcomes before ascertaining baseline conditions and before determining costs. Moreover, the outcomes had unrealistic completion dates, some by October 2003, just three months later.”<sup>323</sup>

**588.** The Inquiry asked Mr Bearpark if the CPA saw the ‘Vision for Iraq’ as a framework for delivering an international or just a Coalition reconstruction effort.<sup>324</sup> He replied:

“Paradoxically, I think both of those things are true. I think in terms of designing of the strategy, that was – it was nothing to do with the Coalition. It was a purely American-led document. So this was the American vision of what should happen, what the objectives should be.

“There was, however, even at that stage, a recognition on the part of the CPA that the delivery of these objectives would, in some cases, be impossible without the wider involvement of the international community.

“So if you like, the CPA viewed the international community as having no role whatsoever in terms of setting the objectives, but as having a fairly useful role in terms of delivering some of the objectives, and the easiest way of expressing that would, as ever, be, in financial terms ...”

**589.** In his memoir, Sir Hilary Synnott, who would take up post as Head of CPA(South) on 30 July, recalled:

“My task was to do my best to manage the region according to Bremer’s plans. Bremer had the awful task of formulating the plan itself ... I forced myself to sit down and try to read the Vision’s electronic manifestation ... The trouble was it did not amount to an operational plan of action, only a list of subsidiary objectives under each of these headings. There were no indications about how in practice they would be achieved: no details of funding, of personnel involved, of support systems or of timing. It was particularly notable that the ultimate objective, of handing full sovereignty back to the Iraqi people, had no timing attached to it at all.”<sup>325</sup>

<sup>323</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>324</sup> Public hearing, 6 July 2010, page 25.

<sup>325</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

**590.** Ms Emma Sky, CPA Governorate Co-ordinator in Kirkuk from June 2003 to February 2004, told the Inquiry that she had not been engaged in development of the ‘Vision for Iraq’ or ‘Achieving the Vision’:

“I recall ... in September 2003 going down to Baghdad [for Mr Bremer’s monthly meeting of commanders and Governorate Co-ordinators] ... and there was a CPA strategy that was, ‘This is what we are going to do’, but none of us had known about it before, weren’t involved in the development of it.”<sup>326</sup>

**591.** On 23 July, the DFID Office in Basra produced a ‘Review of the Humanitarian Situation and DFID-Funded Operations in the Lower South Area of Iraq’.<sup>327</sup> The Review, which had been developed in consultation with CPA(South), the UK military, Iraqi government bodies, UN agencies, the ICRC and NGOs, described itself as:

“...the first comprehensive operational monitoring exercise undertaken by DFID in the lower South since the conflict.”

**592.** In the Review, DFID concluded that the humanitarian phase of operations had rapidly passed, although some elements of humanitarian vulnerability remained. Despite continuing insecurity, a tendency by some agencies to over-assess and under-implement, an over-emphasis on Basra at the expense of other provinces, and poor co-ordination within the South and between the South and Baghdad, significant progress had recently been made “in providing quick-fixes to immediate problems, and in finally gearing up the ... reconstruction process”.

**593.** DFID assessed that the new CPA model – whereby CPA(Baghdad) would deal directly with each governorate through CPA Governorate Teams (GTs), rather than indirectly through CPA regional offices such as CPA(South) – was more consistent with Iraq’s existing centralised model of government. CPA(South) would continue to exist, but as a “regional hub” providing expertise to the four governorates, and without explicit authority. DFID commented:

“Such a dramatic change in direction typifies the uncertain and ad hoc evolution of the CPA ... and whilst eminently sensible, poses an entirely new set of challenges in terms of establishing and staffing ... and ensuring that four offices rather than just one receive adequate support and guidance from Baghdad.”

**594.** Security remained the single most important factor in determining progress on reconstruction. The security situation remained “at best fragile, at worst anarchic”, fuelled by rising expectations, poor service provision and criminality. There had been some improvements in recent weeks, including the deployment of small numbers of Iraqi police onto the streets.

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<sup>326</sup> Public hearing, 14 January 2011, page 7.

<sup>327</sup> Paper DFID-Basrah, 23 July 2003, ‘Review of the Humanitarian Situation and DFID-Funded Operations in the Lower South Area of Iraq’.

**595.** The Review also provided a detailed assessment of the state of health services, nutrition and food distribution, water supply, sanitation, power, infrastructure, education services, agriculture and livestock, Internally Displaced People (IDPs) and refugees, mines and unexploded ordnance, public information, and co-ordination.

**596.** On co-ordination in the South, DFID advised that the UN and CPA remained “at arms length” leading to a dysfunctional approach in the South and no real leadership:

“The elements of an effective strategy are distributed among the players and co-ordination is not yet sufficient to harness resources (primarily USAID contractors), and experience (UN) under the current authority (CPA).

...

“The shadow of Baghdad looms over all co-ordination issues, with local solutions regularly undermined by unilateral decisions or lack of direction from the centre.”

**597.** DFID assessed that the decision to establish GTs had further undermined CPA(South)’s ability to exert its authority.

**598.** The Inquiry has seen no indications that the Review was circulated to other departments.

**599.** Mr Sawers’ 28 July valedictory report from Baghdad offered a generally positive assessment of progress in the three months since the invasion.<sup>328</sup> He commented:

“The Coalition didn’t exactly help itself. The needs of the post-conflict planning never received sufficient attention ... We wasted not only the first month after Saddam fell, but also the six months before that when we should have been planning realistically.”

**600.** There was real progress on security, the political process and the economy (salaries were being paid, food was being distributed, commerce on the street was lively, and there was a strong commitment to economic reform backed by the World Bank and the IMF). Although there was still a long way to go in all three areas:

“... the CPA under Jerry Bremer has plans in place on all fronts. ‘Drift’ isn’t a word in his vocabulary. We may only be at the five mile mark in this marathon, but the route ahead is mapped out, and the runners know what they have to do.”

**601.** Mr Sawers did not consider the progress in the South.

**602.** Mr David Richmond succeeded Mr Sawers as the Prime Minister’s Special Representative on Iraq on an interim basis, and remained in post until Sir Jeremy Greenstock arrived in September (see Section 9.2). Mr Richmond remained in Iraq as Sir Jeremy’s deputy.

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<sup>328</sup> Telegram 101 IraqRep to FCO London, 28 July 2003, ‘Iraq: How Far Have We Come?’.

**603.** Mr Blair and President Bush spoke by telephone on 31 July.<sup>329</sup> The conversation turned to the media, and Mr Blair commented that better Iraqi media would make a difference in achieving accurate reporting of events in Iraq. They agreed that if there was no real improvement in a couple of weeks “top level US/UK media people” would be asked to work up and implement a plan.

**604.** Mr Hoon’s Private Secretary wrote to Mr Rycroft on 4 August to advise him that MOD Ministers had agreed that an additional (130-strong) infantry company and a small (30-strong) riverine capability were required in Iraq (see Section 9.2).<sup>330</sup> The letter stated:

“Paradoxically we are having to deploy more personnel partly because our reconstruction efforts are being successful (there is more worth securing and more civil activity to safeguard).”

### Sir Hilary Synnott arrives in Basra, 30 July

**605.** Ambassador Olsen resigned as Head of CPA(South) on 28 July.<sup>331</sup>

**606.** Sir Hilary Synnott arrived in Basra on 30 July.<sup>332</sup>

**607.** At that time, the UK had approximately 100 officials seconded into the CPA, including 30 in CPA(South) (see Section 15.1).

**608.** Shortly before he deployed, Sir Hilary called on Mr Blair.<sup>333</sup> In his evidence to the Inquiry, Sir Hilary recalled that during that meeting he had pointed out that he would have no secure communications in Basra. The Inquiry has not seen a record of that meeting.

**609.** Sir Hilary told the Inquiry that he had several Terms of Reference:

- formal Terms of Reference, agreed by Ambassador Bremer;
- “the British Government’s idea of what my responsibilities should be”, which were not shown to Ambassador Bremer and related to keeping London informed; and
- “some objectives” set personally by Mr Blair, which included the statement that “if I had any difficulties at all, I should let him know personally”.<sup>334</sup>

**610.** In his memoir, Sir Hilary described the first and second of those Terms of Reference:

“My mission statement ... entailed giving ‘leadership and direction’ to the work of the CPA in the four southern provinces; and it also required me to give a political context

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<sup>329</sup> Letter Rycroft to Adams, 31 July 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 31 July’.

<sup>330</sup> Letter Latham to Rycroft, 4 August 2003, ‘Iraq: Force Level Review’.

<sup>331</sup> *Iraq Report*, 1 August 2003, *Southern Iraq Administrator leaves post*.

<sup>332</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>333</sup> Public hearing, 9 December 2009, page 10.

<sup>334</sup> Public hearing, 9 December 2009, pages 4-5.

to the work of the military commanders in the South. I would be ‘accountable directly to Ambassador Bremer’.

“But there was also a covering letter, marinated in subtleties. From a Whitehall perspective, it read, despite [Ambassador] Bremer’s decision to create 18 Provincial Co-ordinators who reported directly to him, ‘the UK Supremo in the South concept still holds.’”<sup>335</sup>

**611.** The Inquiry has not seen that covering letter.

**612.** Mr Blair told the Inquiry:

“I was always very clear with our people out there, ‘If you have got a real problem, pick up the phone, if necessary, and if you start to get messed around with bureaucracy, come to me directly.’”<sup>336</sup>

**613.** Sir Hilary told the Inquiry that he did not take up Mr Blair’s offer to call him, but said that his reporting telegrams were directed at No.10 and Ministers (rather than middle-ranking officials).<sup>337</sup>

**614.** On his third day in Iraq, Sir Hilary called on Ambassador Bremer in Baghdad:

“... he [Bremer] didn’t give me any instructions, so I offered him three priorities, which he agreed with. The first was I needed to find out what Baghdad’s priorities were, which we didn’t know in the South. The second was to make sure that our priorities ... in the South were consistent with Baghdad’s priorities, and the third was to change the location of where we worked, which was in every sense dangerous to health, and for that I got tremendous support from Baghdad.

“Ultimately, we continued really to have no direction from Baghdad, which was a pity in one sense but a blessing in another, because unless I had an instruction not to do something, I felt able to do whatever we were able to do.”<sup>338</sup>

**615.** In his memoir, Sir Hilary wrote:

“I was particularly surprised and dismayed in my first encounters in Baghdad with the lack of interest in the political and social situation in the four southern provinces, and by Bremer’s declared intention to concentrate exclusively on Baghdad.”<sup>339</sup>

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<sup>335</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>336</sup> Public hearing, 29 January 2010, page 189.

<sup>337</sup> Public hearing, 9 December 2009, pages 14-15.

<sup>338</sup> Public hearing, 19 December 2009, pages 44-45.

<sup>339</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

**616.** Sir Hilary reported his first impressions from Basra on 7 August.<sup>340</sup> He wrote that CPA(South) was not well thought of in the CPA. Mr Bearpark had told him that it was the least effective of the CPA's regional offices "by a long way". Feelings in CPA(South) about CPA(Baghdad) were equally negative. Sir Hilary assessed that much of the problem stemmed from poor communication in both directions, leading to a high level of mutual misunderstanding.

**617.** In that context, Sir Hilary reported:

"I have no secure communication at all with Baghdad or London (both deficiencies are now on their way to being rectified, although I may yet call for a push from the FCO); e-mails are usually by means of free Yahoo or Hotmail ISPs; there are no telephone landlines; mobile coverage is sketchy, which leaves a few sat[ellite] phones. All of this should have improved by the end of the month."

**618.** Sir Hilary also reported that Ambassador Bremer had agreed his three "procedural priorities":

- to improve the information flow and consultation between Baghdad and Basra;
- to set priorities for work in the South, in line with wider CPA objectives; and
- to upgrade living and working conditions in CPA(South).

**619.** On the second point, Sir Hilary reported that he had agreed a proposal from Major General Graeme Lamb, GOC MND(SE), to establish a Joint Co-ordination Board comprising the UK Division, CPA(South) and the UN. The first meeting had revealed a "heartening commonality of approach and attitude".

**620.** Sir Hilary wrote in his memoir that his arrival, along with the British military command of MND(SE), established "some sort of British Fiefdom" in the South, but one which he saw as "still entirely dependent on American resources for its lifeblood".<sup>341</sup>

**621.** Sir Hilary told the Inquiry that one major benefit of his appointment as Head of CPA(South) was that he and Maj Gen Lamb were able to work "formally very close together", increasing their influence with the CPA and London.<sup>342</sup> One difficulty was the tendency of some UK Cabinet Ministers to make public statements about the UK's exemplary approach in the South, which overlooked CPA(South)'s dependence on US financial resources:

"... I know that the Americans in Baghdad were pretty upset with this British ... boasting. As I was, because I was worried that this would freeze up the flow of resources."

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<sup>340</sup> Telegram 42 FCO to UKRep Iraq, 7 August 2003, 'Iraq: Basra: First Impressions and Work in Hand'.

<sup>341</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain's Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>342</sup> Public hearing, 9 December 2009, pages 11-12.



**622.** The Inquiry asked Mr Bearpark if the UK's assumption of "lead responsibility" for the South had given rise to an American assumption that the UK would provide a higher level of financing for CPA(South) than it did.<sup>343</sup> Mr Bearpark said that at a senior level the US believed that the UK was making a "reasonable and fair contribution" in the South, in terms of both personnel and funding. There was a problem, however, at the "middle level", which was exacerbated by repeated stories in the UK media that the US could learn from the exemplary job that the UK was doing in the South:

"A result of that was that ... there were certainly American officials within CPA(Baghdad) who would say to me, 'Look, why are you coming whinging at us yet again ... to try to get some resources for CPA(South)? You Brits know how to do it so well, why don't you fund it as well, if you are that clever about it?'"

**623.** Mr Bearpark also told the Inquiry that, while in theory his responsibilities included staffing, life support and the flow of funds to all CPA regional offices, in practice there was "a big difference between CPA(South) ... and the other CPA regional offices, because CPA(South) was British and run in a particular way ... as a British operation".<sup>344</sup>

**624.** Sir Jeremy Greenstock told the Inquiry:

"... I think we did a good job in the early stages in Basra. But we [the UK] were very short of money, and we got virtually no American money because DFID concentrated on that. The Americans said let the Brits look after Basra."<sup>345</sup>

## Responding to deteriorating security

**625.** Security in Iraq deteriorated in August 2003. Concerns about progress on reconstruction in the South and the implications for the level of consent enjoyed by UK forces led the UK to develop the Essential Services Plan, which aimed to improve essential services rapidly and visibly.

**626.** On 10 and 11 August, Basra experienced severe rioting.<sup>346</sup> Mr Richmond reported:

"The immediate cause of the disturbances is clear. Supplies of petrol and diesel in Basra's service stations ran out on 9 August ... This was combined with a major blackout in Basra because of a failure in the transmission line which rippled through the entire system. (The system is so fragile that the only surprise is that it has not happened before.)

"There is no doubt that political elements ... exploited the situation ... There is also some evidence of pre-planning ... But without the fuel and electricity crisis agitators would not have found much purchase."

<sup>343</sup> Public hearing, 6 July 2010, page 75.

<sup>344</sup> Public hearing, 6 July 2012, pages 5 and 7.

<sup>345</sup> Private hearing, 26 May 2010, page 54.

<sup>346</sup> Telegram 114 IraqRep to FCO London, 12 August 2003, 'Situation in Basra'.

**627.** A Cabinet Office update for Ministers on 14 August reflected the same analysis:

“... the Basra demonstrations are evidence of increasing frustration with the Coalition’s failure to restore basic services. Attacks on MND(SE) are widening.”<sup>347</sup>

**628.** Sir Hilary Synnott wrote in his memoir:

“... Riots erupted outside our Electricity Accounts building. Instead of just stones and rocks, there was now gunfire ...

... Within a day, however, the Army had stepped in to organise the fuel distribution network ... The violence subsided to a normal level as quickly as it had blown up.”<sup>348</sup>

**629.** Lieutenant General Robert Fry, Deputy Chief of Defence Staff (Commitments), advised the Chiefs of Staff on 18 August:

“Iraqi consent to the Coalition presence in MND(SE) is declining because supplies of fuel, power and water are failing to meet expectations.”<sup>349</sup>

**630.** He reported that UK troops were being diverted to “fuel security” tasks; 19 Mechanised Brigade was now dedicating four patrols to fuel security tasks for every one patrol to general security tasks.

**631.** Lt Gen Fry identified three courses of action for the UK:

- accelerate reconstruction by the CPA;
- step in to lead the reconstruction effort in MND(SE); or
- step in temporarily to alleviate the situation, before handing over to the CPA/Iraqi ministries.

**632.** Lt Gen Fry concluded that if an acceleration of the CPA’s reconstruction effort did not check the deterioration, then a shift to the third course of action would be essential.

**633.** The Chiefs of Staff meeting on 20 August agreed that the first course of action should be pursued, although contingency planning should be undertaken for the third course of action.<sup>350</sup>

**634.** An update for the AHMGIR, produced on 20 August, advised that Basra was now calmer, although that calm might be “short-lived if the Coalition cannot maintain at least the current level of service delivery”.<sup>351</sup> Security across MND(SE) remained volatile, and security concerns had led to the withdrawal of Japanese staff in CPA(South).

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<sup>347</sup> Letter Drummond to Owen, 14 August 2003, ‘Iraq: Update for Ministers’ attaching Paper Cabinet Office, 14 August 2003, ‘Iraq: Update for Ministers, 14 August 2003’.

<sup>348</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>349</sup> Minute DCDS(C) to COSSEC, 18 August 2003, ‘Essential services in MND(SE)’.

<sup>350</sup> Minutes, 20 August 2003, Chiefs of Staff meeting.

<sup>351</sup> Paper Cabinet Office, 20 August 2003, ‘Iraq: Update for Ministers, 21 August 2003’.

**635.** Concern over the apparent failure of the CPA's plans to restore electricity prompted Mr Richmond to commission Mr Nick Horne, a UK consultant working in the CPA, to produce a report on electricity supply problems in the Basra area.<sup>352</sup>

**636.** Mr Horne's report identified the immediate causes of the blackout across the Basra area on 9 August, and made recommendations to address them.<sup>353</sup> It also identified the medium- and long-term measures required to accelerate restoration of a reliable supply of electricity across Iraq.

**637.** Mr Richmond sent copies of the report to the FCO, the MOD, DFID, the DTI and the Cabinet Office on 20 August.<sup>354</sup> He commented:

“Iraq's electricity infrastructure suffered decades of neglect. Though little damaged by the war, subsequent looting and sabotage have caused massive damage to transmission lines. This goes some way to explain why electricity supplies have been so unreliable. But Coalition plans to restore power to pre-war levels were not properly staffed, funded or implemented. Two or three months have been largely wasted.”

**638.** Mr Richmond reported that the CPA's electricity team was small (eight people, of whom only three were specialists) and poorly managed. In contrast, a UN project in northern Iraq employed 80 international experts and several thousand Iraqis to run a small network that relied on a single hydro-electric power station.

**639.** The CPA had been working to a plan to achieve pre-war levels of generation (4,400MW) by the end of September. That plan comprised “a single sheet [of paper] with no activities, timescales, parts requirements etc”.

**640.** Mr Richmond suggested that the riots in Basra had drawn attention to the CPA's failure to meet electricity targets. Ambassador Bremer had been “horrified” by Mr Horne's report and had directed that a “proper plan” should be developed. A revised plan to generate 4,400MW by the end of September had now been agreed; a plan to generate 6,000MW (Iraq's estimated need) by May 2004 was being developed.

**641.** Mr Richmond recommended that the UK should support this effort by providing technical experts in a number of areas.

**642.** Mr Richmond also reported that a major conference would take place at CENTCOM Headquarters at the end of August to discuss electricity and oil.

**643.** On 19 August, the UN Headquarters at the Canal Hotel, Baghdad, was bombed; 22 UN staff and visitors including Mr Vieira de Mello were killed (see Section 9.2).

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<sup>352</sup> Telegram 128 IraqRep to FCO London, 20 August 2003, ‘Iraq: Electricity: What Went Wrong and What is Being Done’.

<sup>353</sup> Report Horne, 12 August 2003, ‘Report on the Electrical Problems in the Basrah Area’.

<sup>354</sup> Telegram 128 IraqRep to FCO London, 20 August 2003, ‘Iraq: Electricity: What Went Wrong and What is Being Done’.

**644.** One member of DFID staff was slightly injured in the attack.<sup>355</sup>

**645.** The Annotated Agenda for the 28 August meeting of the AHMGIR reported that:

“World Bank and IMF Missions, which were working from the UN building, have been withdrawn. A number of NGOs are withdrawing their international staff. The ICRC is thinning out its staff. The UN is maintaining operations, but some staff have been withdrawn from Baghdad temporarily while decisions on future security arrangements are made.”<sup>356</sup>

**646.** The Annotated Agenda continued that, in the absence of some UN and NGO international staff, and with additional constraints on remaining staff:

“... local staff should be able to continue to implement most existing humanitarian and reconstruction programmes, including running the food distribution system, at least in the short-term. However, there will be an immediate impact on new programmes, which in many cases will not now go ahead.”

**647.** A report into the incident commissioned by the UN recorded that, at the time of the bombing, there were between 350 and 550 UN international staff in Baghdad.<sup>357</sup> Although most of those staff were withdrawn following the bombing, the UN Secretary-General declined two recommendations from UN officials, on 2 and 22 September, to evacuate all UN international staff from Iraq. By early October, there were between 20 and 30 UN international staff in Baghdad and between 5 and 10 across the rest of Iraq.

**648.** Sir Hilary Synnott told the Inquiry:

“After the attack ... the Spanish and Japanese Governments ordered their civilians to leave. And on 30 August, of course, the UN ordered their expatriates to leave also. Everybody else stayed.”<sup>358</sup>

**649.** Mr Bearpark described the effect of the bombing in his evidence to the Inquiry:

“... on that day, an enormous body of knowledge, wisdom and ability was lost.

“But the other factors were even more important than that. The first one was that, for entirely understandable and probably correct reasons, the UN system ... [including] the World Bank and the IMF withdrew from Iraq. It is very difficult to overstate the chaos that caused for the CPA, because all your interlocutors suddenly vanished ...

“... that leads me on to the third factor .. which is that it recreated the animosity within the CPA to the UN system ... it did enable the UN-disliking elements of the CPA to feel justified in their original behaviour, even though very slowly, carefully and

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<sup>355</sup> Minutes, 28 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>356</sup> Annotated Agenda, 28 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>357</sup> The Independent Panel on the Safety and Security of UN Personnel in Iraq, 20 October 2003, *Report of The Independent Panel on the Safety and Security of UN Personnel in Iraq*.

<sup>358</sup> Public hearing, 9 December 2009, page 111.

patiently during that period, June, July, August, the relationships had started coming together very well.”<sup>359</sup>

**650.** The Cabinet Office advised Ministers on 21 August that, conscious of growing public frustration in the South with living conditions and the underlying causes of the riots earlier in the month, the UK was taking action both in CPA(South) and with CPA(Baghdad) to improve the delivery of basic services.<sup>360</sup> CPA(South) and MND(SE) were increasing fuel stocks, exploring ways to improve water supply, and working to improve the electricity supply to the Basra oil refinery.

**651.** There had been a series of meetings in CPA(Baghdad) on electricity and utilities. Ambassador Bremer had accepted “all recommendations related to the electricity problem in the South” and authorised US\$200m for immediate remedial work. Electricity generation and transmission were to have top priority. The UK was seeking further details.

**652.** On the same day, Mr Benn met informally with Mr Dennis McShane, FCO Minister for Europe, and Mr Adam Ingram, MOD Minister for Armed Forces.<sup>361</sup> The meeting agreed that:

- Sir Hilary Synnott needed “operations support”. DFID hoped to give Sir Hilary delegated authority to spend UK funds when CPA(South) was fully staffed.
- A strong UK delegation should attend the CENTCOM infrastructure Conference the following week, which would produce a strategy for improving Iraq’s infrastructure. In parallel, a team from engineering firm Mott MacDonald would visit Basra to prepare shorter-term proposals to improve power supply in the South.
- Thereafter, the UK “should decide fast on remedial action”. That might require more UK expenditure if the CPA could not respond fast enough.

**653.** The Ministers directed officials to report to the 28 August meeting of the AHMGIR on why so little of the funding allocated to CPA(South) had been spent.

**654.** An MOD official produced an informal record of the meeting for MOD colleagues only.<sup>362</sup> He commented:

“DFID (Benn/[DFID junior official]) v[ery] helpful and forward leaning, going so far as to identify fact that c. £30m of DFID allocation for Iraq remains unspent and that perhaps now, and on utilities in the South, is the time and place to spend it ...

“This prompted a sensible discussion (first I have heard at an Ad Hoc Group) of the consequences of the CPA actually not delivering in the medium term in the South ...

<sup>359</sup> Public hearing, 6 July 2010, pages 28-29.

<sup>360</sup> Paper Cabinet Office, 20 August 2003, ‘Update for Ministers 21 August 2003’.

<sup>361</sup> Letter Drummond to Owen, 21 August 2003, ‘Iraq: Informal Ministerial’.

<sup>362</sup> Email IRAQ-AD SEC-S to PJHQ-J9-HDPOLOPS3-S, 21 August 2003, ‘Not the Ad Hoc Ministerial’.

Again FCO line was that Synnott would sort it out. Min(AF) made the point about us expecting a lot from one man ...

“... there is no dispute that there is a problem, that something needs to be done and that it may well involve spending money – this is a significant step forward ... Most significant appears to be [the] developing DFID thaw on [its] doctrinaire approach to spending priorities.”

**655.** The CENTCOM Iraqi Power Generation and Distribution Conference took place in the US from 25 to 27 August.<sup>363</sup> The objective of the Conference was to develop a practical response to the challenges in Iraq, and encourage co-ordination.

**656.** The Inquiry has not seen a record of the Conference.

**657.** The 27 August meeting of the Chiefs of Staff was advised that the estimated cost of the third course of action identified by Lt Gen Fry on 18 August – that the UK should step in to lead reconstruction in the South until the CPA could begin to deliver results – was US\$91m.<sup>364</sup> A decision on whether to proceed would depend on the results of the CENTCOM Conference.

**658.** Mr Crompton advised Mr Straw in advance of the 28 August meeting of the AHMGIR:

“There is a head of steam within the MOD about the lack of progress on reconstruction. As the military see it, the CPA in general, and CPA(South) in particular, have failed to deliver. As a result, the Coalition is losing consent, the military are having to take on tasks which should be undertaken by civilians, and in the process the military are becoming over-stretched and vulnerable.”<sup>365</sup>

**659.** Mr Crompton offered four conclusions:

- We need to maintain pressure on DFID to deliver quick results. Their approach so far has been too theological ...
- Fixing these problems will require more staff (not less), particularly in the South. Hilary Synnott ... has just requested an additional 34 secondees to work on reconstruction issues. He should get many of these.
- Concerns about security argue against putting in more staff, but holding staff back ... will only compound the problem. The immediate solution is to strengthen security measures in CPA(South) ...
- All of this is going to cost a lot of money. I am not sure we will be able to do all we need to do within current budgets ... The Treasury may have to look again at the sums they are providing.”

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<sup>363</sup> Briefing DFID, 22 August 2003, ‘Information Note: Iraq: Critical Infrastructure in the South’.

<sup>364</sup> Minutes, 27 August 2003 Chiefs of Staff meeting.

<sup>365</sup> Minute Crompton to PS/Straw, 28 August 2003, ‘Ad Hoc Ministerial’.

**660.** Sir Hilary Synnott told the Inquiry that he requested 37 additional staff (“not generalists but experts”) and 20 armoured vehicles.<sup>366</sup>

**661.** The Annotated Agenda for the 28 August meeting of the AHMGIR reported that the situation in southern Iraq remained “volatile”.<sup>367</sup> There was no evidence of a “significant change in local consent to the UK-led military presence, but the time available before dissatisfaction with the pace of CPA delivery of services overflows is shrinking”.

**662.** Ministers agreed that, “subject to security concerns”:

- Officials should consider and implement measures to improve the power situation in south-eastern Iraq.
- Ministers should be advised on the impact on reconstruction of the withdrawal of international staff and measures to mitigate the impact.
- Sir Hilary Synnott should be given “such assistance and staff as he deemed necessary to improve the workings of CPA(South)”.<sup>368</sup>

**663.** Ministers were advised on 29 August that the MOD had commissioned and now received an action plan for immediate improvements to the power sector in the South.<sup>369</sup> DFID expected to meet the cost (estimated at US\$30m), although that might exhaust their budget for Iraq for the year.

**664.** On the same day, Sir Nigel Sheinwald, Sir David Manning’s successor as the Prime Minister’s Foreign Policy Adviser, gave Mr Blair his view of immediate priorities for Iraq.<sup>370</sup> They included:

- another surge in UK resources, both military (the MOD was undertaking a review which was likely to lead to a proposal to increase UK troop numbers) and for reconstruction (though UK numbers were dwarfed by the size of Ambassador Bremer’s request to Congress<sup>371</sup>);
- improving utilities, most immediately electricity generation in the South;
- improving CPA media handling: a CPA media director (Mr Gary Thatcher, who had previously worked on *The Chicago Tribune*<sup>372</sup>) would arrive, “at last”, that day; and
- a new resolution “worth getting – to spread the military and reconstruction load”.

<sup>366</sup> Public hearing, 9 December 2009, page 15.

<sup>367</sup> Annotated Agenda, 28 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>368</sup> Minutes, 28 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>369</sup> Paper Cabinet Office, 29 August 2003, ‘Iraq: Update 29 August 2003’.

<sup>370</sup> Minute Sheinwald to Prime Minister, 29 August 2003, ‘Iraq’.

<sup>371</sup> The US Administration submitted a request for US\$20.3bn for reconstruction in Iraq to Congress on 6 September.

<sup>372</sup> Annotated Agenda, 7 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**665.** Mr Blair wrote on Sir Nigel's advice:

"This isn't really working at present. I will have to reflect on how we progress ... I need a meeting next week."<sup>373</sup>

**666.** On 1 September, Sir Hilary sent two telegrams from Basra, in response to a request from No.10 for an immediate report, in advance of the meeting requested by Mr Blair, on what he needed.

**667.** In the first telegram, Sir Hilary assessed that:

"The main immediate need is a vastly increased effort, well beyond the present capabilities of CPA(South) or MND(SE), to provide visible improvements in the provision of power, water and fuel in a short timescale."<sup>374</sup>

**668.** Under his direction, CPA(South) and MND(SE) had developed an Emergency Plan for Essential Services in Southern Iraq (the Essential Services Plan), costed at US\$127m. This would be discussed with DFID officials visiting Iraq and Mr Bearpark, and then submitted to the AHMGIR for approval. However:

"More generally, the scale and nature of the problem is well beyond CPA(South)'s present capabilities, if we are to truly act as an 'Authority' and provide direction to others. I have bid for more staff and ancillary back-up and will be bidding for more ..."

**669.** Sir Hilary reported that CPA(Baghdad) had "responded magnificently" to his request to bring forward the move to safer and larger premises from mid-November to mid-October but, until then, CPA(South) was unsafe and overcrowded, despite DFID holding back staff from returning after their breaks and the withdrawal of the Japanese.

**670.** Sir Hilary also reported that he had insufficient military protection vehicles to carry out essential tasks, and that MND(SE) was proving "most unwilling to the point of refusal, to dedicate more of their forces for this purpose".

**671.** Sir Hilary's comments on the provision of secure accommodation and transport for CPA(South) personnel are considered in Section 15.1.

**672.** Sir Hilary's second telegram contained a draft covering submission for the Essential Services Plan.<sup>375</sup> Sir Hilary advised that the Plan was based on work undertaken by MND(SE) but had been "meshed with" a wider CPA(South) strategy for the medium and long term. It was "formally" for CPA(Baghdad) to own and resource the Plan "but that is not quite how things work in practice ... there is a certain expectation

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<sup>373</sup> Manuscript comment Blair on Minute Sheinwald to Prime Minister, 29 August 2003, 'Iraq'.

<sup>374</sup> Telegram 9 CPA(South) to FCO London, 1 September 2003, 'Southern Iraq: What Needs to be Done'.

<sup>375</sup> Telegram 10 CPA(South) to FCO London, 1 September 2003, 'An Emergency Plan for Essential Services in Southern Iraq'.



that the regions should take a lead to sort out their own problems". Sir Hilary stated that this was particularly true since his arrival.

**673.** Sir Hilary therefore requested:

- funding for the Essential Services Plan;
- immediate mobilisation of UK personnel to implement the Plan;
- "establishment of extraordinary financial and contractual arrangements to allow exceptionally rapid disbursement and effects";
- the mobilisation of industry, in the UK and elsewhere, to participate in the Plan;
- creation of a high-level task force in Whitehall "to make this happen"; and
- "a start now".

**674.** Mr Richmond offered a view from Baghdad on 2 September.<sup>376</sup> He advised that, after a slow start, the CPA recognised the scale and urgency of the infrastructure problem. Ambassador Bremer had decided the answer was "simple: a massive injection of funds to kick start the renewal of Iraq's infrastructure", and had bid to the US Congress for up to US\$18bn for that purpose. Whether or not Congress approved that funding was likely to have a decisive impact on Iraq's future.

**675.** Mr Richmond commented that, while the UK could not match US spending power, it would have to commit more financial and human resources, including:

- more money for essential services, especially in the South; and
- providing proper support and funding for the new UK staff in Iraq. Mr Richmond recommended that the newly-appointed Heads of the UK-led Governorate Teams should each be given £1m, to spend at their discretion.

**676.** The meeting that Mr Blair had requested in his note to Sir Nigel Sheinwald took place on 2 September.<sup>377</sup> Mr Straw, Mr Hoon, Mr Benn, Gen Walker, Sir Richard Dearlove (C), Mr John Scarlett (the Chairman of the JIC), Sir Jeremy Greenstock (the Prime Minister's Special Representative on Iraq), Mr Sawers and No.10 officials attended.

**677.** At the meeting, Mr Blair said that he wanted action on Iraq taken forward "with a heightened sense of urgency". He asked for advice on eight issues, on the basis of which he would prepare a note for President Bush before a telephone call on 5 September, including:

- Infrastructure in the South. Mr Blair wanted "the maximum possible support given to Sir Hilary Synnott's proposals for immediate infrastructure projects in the CPA(South) area, with appropriate military cover".

<sup>376</sup> Telegram 147 IraqRep to FCO London, 2 September 2003, 'Iraq: Assessment and Recommendations'.

<sup>377</sup> Letter Cannon to Adams, 2 September 2003, 'Iraq: Briefing for Prime Minister'.

- CPA finances. What were the obstacles to funding? If there were delays, the UK should be prepared to finance new operations in the South itself, in advance of CPA funding.
- Oil and electricity. How could progress be accelerated, and how could UK industry be more involved?

**678.** In August, the UK reviewed its force levels in Iraq in the light of the deteriorating security situation (see Section 9.2).

**679.** Mr Hoon's Private Secretary wrote to Mr Rycroft on 4 September to report that:

“... in the light of the changing security situation in the South East of Iraq, and in view of likely next steps by the CPA, the Defence Secretary had concluded that there is an immediate requirement to deploy a further two infantry battalions and certain specialist capabilities to Iraq. Furthermore, we intend to identify and put on reduced notice to move a Brigade HQ, Infantry battalion and engineer capability as a contingency to support the implementation of the CPA(S) plan for emergency infrastructure work due to be delivered by Sir Hilary ...”<sup>378</sup>

**680.** The Essential Services Plan was submitted to the AHMGIR on 4 September, with an implementation plan promised for the following week.<sup>379</sup>

**681.** The Plan stated that CPA(South)'s intent was to improve essential services over the short, medium and long term as part of the “overall CPA reconstruction strategy”.<sup>380</sup> However, “the imperative of securing rapid and visible improvements ... and forestalling erosion of Iraqi consent demands the urgent implementation of a short-term emergency plan”.

**682.** The Plan aimed to:

- increase power supply, including by improving management, repairing transmission and distribution systems, providing generators, and providing spares and equipment;
- increase fuel supply, including by improving and constructing new fuel distribution and storage facilities, and improving gas distribution facilities; and
- increase water supply, including by improving maintenance and refurbishing and improving power supply to key water treatment plants.

**683.** The Plan was costed at US\$127m, comprising US\$90.5m for work to improve the power supply, US\$12m for fuel supply, US\$23m for water supply and US\$1.25m for general programme support. Funds were to be provided by the CPA, DFID or other sources.

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<sup>378</sup> Letter Williams to Rycroft, 4 September 2003, 'Iraq: UK Forces and Resources Review'.

<sup>379</sup> Annotated Agenda, 4 September 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>380</sup> Paper [unattributed], 2 September 2003, 'Annex B: Strategy for the Essential Services in Southern Iraq'.

**684.** To ensure a co-ordinated approach, CPA(South) would chair an “Essential Services Steering Group” made up of Iraqi Directors General, MND(SE), relevant UN agency Heads, NGOs and other relevant agencies. The Plan would be directed, at least initially, by the MND(SE) Chief Engineer on behalf of Sir Hilary Synnott, supported by the Mott MacDonald team.

**685.** The Plan stated that neither CPA(South) nor MND(SE) was staffed to manage the rehabilitation of essential services. “Staffing by generalists” had achieved “mixed results”; specialists were required to manage the work into the medium and long term.

**686.** At the AHMGIR meeting, Mr Benn announced that DFID had already approved £20m for the Essential Services Plan, and that a project team would go to Iraq by 12 September.<sup>381</sup> The UK should continue to seek money from the CPA, but must be prepared to act fast on its own if necessary.

**687.** The AHMGIR endorsed the Essential Services Plan and stated that it should be taken forward urgently.

**688.** Mr Benn wrote to Mr Blair later that day to confirm DFID’s commitment:

“You asked for immediate action to support Sir Hilary Synnott’s proposals for urgent infrastructure projects in the CPA(South) area. I have today approved funding of £20m for consulting services, equipment, spare parts and rehabilitation works ...

“It is expected to benefit over 5m people. The project will deliver over the next six months but with tangible benefits due within weeks.”<sup>382</sup>

**689.** The balance of funding for the Plan would need to come from the CPA:

“We have held back from committing to meet the full cost, to avoid giving the impression to the CPA that HMG [Her Majesty’s Government] wants to take on full responsibility for the South of the country including the future funding of all infrastructure. Such a commitment would be financially and logistically enormous, and well beyond DFID’s budget. We need to keep pressing Bremer to make more effective use of CPA resources, and in particular to transfer these funds and delegate responsibility to Sir Hilary Synnott now ...

“I hope this can be on your list of points to raise with President Bush.”

**690.** Mr Crompton visited Basra and Baghdad from 31 August to 3 September.<sup>383</sup> He reported to Mr Chaplin on 5 September that “the Coalition as a whole is only just beginning to come to terms with the scale of the task we have taken on”. The “general feeling” was that the Coalition needed to “throw massive resources at the problem now, with a focus on accelerating the security work and essential services side”. The US were

<sup>381</sup> Minutes, 4 September 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>382</sup> Letter Benn to Blair, 4 September 2003, ‘Iraq: Restoring Essential Services in the South’.

<sup>383</sup> Minute Crompton to Chaplin, 5 September 2003, ‘Visit to Iraq: 31 August to 3 September’.

talking in terms of tens of billions of dollars; the UK needed to be thinking in terms of much larger figures than it had to date, “hundreds of millions of pounds, if not more, plus a significant increase in staffing in the South and Governorates”.

**691.** UK staffing in CPA(Baghdad) was “about right”, but CPA(South) and the other CPA regions were “woefully under-staffed”. The UK would have to staff CPA(South) itself. The Government should try to meet all of Sir Hilary’s requests for additional staff.

**692.** Sir Hilary Synnott described the genesis of the Essential Services Plan in his memoir.<sup>384</sup> In early August, the UK military, spurred by security concerns and “deeply unimpressed” by the available civilian capability, had contracted Mott MacDonald to design a package of quick-impact, carefully targeted infrastructure projects, without consultation with CPA(South) or other partners. Sir Hilary commented that, while understandable, “the furtive manner in which the [military’s] plan was conceived amounted to a challenge to the civilian role in the South”.

**693.** Once the military’s plan was completed, it could no longer be kept hidden. Sir Hilary immediately realised that funding would have to come from CPA(Baghdad) or London, and that they would provide funding only if the package was perceived to be compatible with existing plans. He therefore convened a meeting between MND(SE) and CPA(South) to develop a joint Essential Services Plan.

**694.** Sir Hilary Synnott also realised that the CPA’s contracting and accounting procedures were unlikely to produce the funds within the necessary timescale and that CPA(Baghdad) might balk at providing additional funding for CPA(South), which it regarded as a “side-show”. DFID would not normally provide such a large amount of money. Sir Hilary therefore proposed that DFID should “kick-start” the project with a contribution of £20m, and then the UK should press the CPA to provide the balance. However, “if Baghdad proved obdurate, we could shame DFID into providing it”.

**695.** In his evidence to the Inquiry, Sir Hilary said that the Essential Services Plan was informed by his previous experience of reconstruction:

“When I went round Baghdad in the early days ... the view I got from USAID and others was that this place is broken ... and we have let out contracts to big American firms to put it all right. My heart sank at that point because ... I knew how long big projects took to get going, and I was also increasingly aware of the unpermissive security environment. That reinforced me in my view that we should be going for more of an emergency plan rather than big contracts, and I think, indeed, history shows that virtually none of the big contracts ever came to fruition.”<sup>385</sup>

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<sup>384</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>385</sup> Public hearing, 9 December 2009, page 29.

**696.** In early September, Ambassador Bremer published a “Seven Step Plan” for the restoration of Iraqi sovereignty (see Section 9.2).<sup>386</sup> The Plan did not include a timescale, although to most observers it appeared to mean at least a two-year Occupation.

**697.** On 5 September, Sir Nigel Sheinwald sent Dr Rice a Note from Mr Blair for President Bush ahead of their video conference later that day.<sup>387</sup>

**698.** In the Note, Mr Blair proposed doubling the number of Iraqi police and speeding up the process of letting reconstruction contracts. In the South, he had “authorised” the CPA to “just spend the money and recoup later from CPA(Centre)”. Mr Blair expressed support for Ambassador Bremer, and queried whether he had all the administrative and technical support he needed.

**699.** On the media, Mr Blair wrote:

“Media: My obsession. I understand that Gary Thatcher is making a big difference. But there are five terrestrial channels to fill ... apparently, there is a fear that bringing in outside i.e. US/UK networks would be a problem for the Governing Council. That’s a pity, if true. Because the obvious solution is for us ... to task one of the big companies to sort it out. We need this fast. It is essential to keep building Iraqi consent and understanding.”<sup>388</sup>

**700.** Mr Blair concluded:

“So my basic point is: the problem is not complex to identify: it is security. The best solution is not us or at least us alone but the Iraqis. It is speed in building their capacity – security, intelligence, infrastructure, media – that we need.”

**701.** Mr Cannon reported to Mr Straw’s Private Office on 5 September that, during the video conference, Mr Blair had recommended to President Bush that “a new impetus should be given to infrastructure reconstruction, both short-term and longer-term projects”, and had expressed concern that there were problems in transferring funds for infrastructure projects from CPA(Baghdad) to CPA(South).<sup>389</sup> Mr Blair had also asked whether Ambassador Bremer needed more administrative/technical support, including to reinforce the civil effort in the Provinces.

**702.** Mr Cannon also reported that Dr Rice and Sir Nigel would draw up a list of concrete measures that could be taken to improve the situation.

**703.** Sir Nigel and Dr Rice discussed those measures later that day, and on 11 September Sir Nigel sent Dr Rice a “UK/US Action Plan” which sought to “define

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<sup>386</sup> Dobbins J, Jones SG, Runkle B & Mohandas S. *Occupying Iraq: A History of the Coalition Provisional Authority*. RAND Corporation, 2009.

<sup>387</sup> Letter Sheinwald to Rice, 5 September 2003, [untitled], attaching Note [Blair to Bush], [untitled].

<sup>388</sup> Letter Sheinwald to Rice, 5 September 2003, [untitled], attaching Note [Blair to Bush], [untitled].

<sup>389</sup> Letter Cannon to Adams, 5 September 2003, ‘Iraq: Prime Minister’s Video-Conference with Bush, 5 September’.

our objectives and specify ongoing and future actions”.<sup>390</sup> It set out shared (US and UK) objectives and UK actions on security, intelligence, infrastructure, media and CPA personnel.

**704.** On infrastructure, the objective was a radical and rapid improvement in basic service provision (particularly water, electricity and fuel) to maintain Iraqi consent. The UK had contributed US\$30m to the US\$127m Essential Services Plan; the balance would come from the CPA. No other UK actions were identified.

**705.** On the media, the objective was to counter distorted reporting by Al Jazeera and other satellite channels. The UK would provide support to the Iraqi Media Network, the CPA, and for the longer-term development of indigenous Iraqi media.

**706.** On CPA personnel, the objective was to provide more specialist support for the CPA in Baghdad and the provinces. The UK was recruiting 37 specialists for CPA(South) and would provide more “as requested”, had selected four individuals to head CPA Governorate Teams, and would provide additional information and SSR specialists for CPA(Baghdad).

**707.** Sir Nigel and Dr Rice went through the Action Plan during Sir Nigel’s visit to Washington from 11 to 12 September.<sup>391</sup> Sir Nigel reported to Mr Blair:

“We [US and UK] share **objectives**; and there now appear to be detailed **plans** under development by the CPA in all the priority areas.”

**708.** Sir Nigel and Dr Rice agreed that there would be regular video conferences between London, Washington and Baghdad “to ensure we are all working from the same script”.

### Pressure to provide additional funding for reconstruction

**709.** *Hard Lessons* described how, in July and August 2003, the CPA had developed a request for additional funding for reconstruction prompted by the projected US\$23bn financing gap in Iraq’s draft 2004 budget.<sup>392</sup> Ambassador Bremer sent a request for US\$20.3bn to Washington in early August; the request was formally submitted to Congress on 6 September.

**710.** The CPA advised Congress that Iraq required between US\$50bn and US\$75bn for reconstruction; it planned to present a “rich package of projects” to the forthcoming Madrid Donors Conference to attract funding from the international community.

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<sup>390</sup> Letter Sheinwald to Rice, 11 September 2003, ‘Iraq’ attaching Note 10 Downing Street, 10 September 2003, ‘Iraq: UK/US Action Plan 10 September’.

<sup>391</sup> Minute Sheinwald to Prime Minister, 14 September 2003, ‘Visit to Washington’.

<sup>392</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**711.** Treasury officials advised Mr Brown on 5 September that pressure was building for significant, additional UK contributions to reconstruction and security in Iraq, both from international partners and from within Whitehall.<sup>393</sup> That pressure was generated by emerging reports on the substantial size of Iraq's financing gap for 2004 (now estimated at between US\$1bn and, according to new figures from the CPA, US\$20bn) and Mr Blair's emphasis on the need to deliver tangible and rapid progress through both additional military resources and reconstruction.

**712.** Treasury officials advised that DFID were developing a case for a substantial UK contribution to meeting the financing gap, which could be announced at the forthcoming Madrid Donors Conference. The US had approached the FCO to ascertain the UK's position on additional financing for reconstruction, and discussions were beginning between international development ministries.

**713.** Treasury officials commented:

"There is a growing and costly perception in Whitehall (and potentially parts of the CPA and the US Administration) that if the UK wants to pull its weight, it should cover 10% of all costs ... In purely fiscal terms we cannot afford a contribution of this size without a very substantial re-prioritisation of existing spending allocations ...

"... [Sir] Jeremy Greenstock, UK Special Representative in Iraq [sic], has hinted that if we want to influence the outcome in Iraq and in particular the decision-making process at the centre of the CPA, we have to buy our way in. We refute this. Our military contribution was crucial to the success of the initial operation ... and our ability to influence through political leverage should not be diminished significantly.

"The main cause of agitation in the South, and in turn pressure on the UK to increase troop levels and to contribute additional resources, is the fact that resources are not arriving quick enough from CPA(Centre) to CPA(South). There is a danger that this is because the US controls CPA(Centre) and are allocating resources to their priority areas and are squeezing the areas where they perceive the UK to lead. This backs up the view that we do not have enough influence in CPA(Centre)."

**714.** Treasury officials also advised that they were increasingly concerned over the lack of a "comprehensive, long-term strategy" for Iraq, which led to continued ad hoc spending. DFID's recent decision to provide £20m to fund the Essential Services Plan was an example of this. The decision left the UK exposed to providing further funding if CPA resources remained inaccessible and/or costs escalated. The UK should continue to push for CPA(Baghdad) to mobilise resources for use in the South rather than taking on more of the burden itself.

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<sup>393</sup> Minute Treasury [junior officials] to Chancellor, 5 September 2003, 'Iraq: Financing Needs and Implications for UK'.

**715.** Mr Chaplin advised Sir Michael Jay on 9 September that the ideal way to meet Ministers' demands for quicker results in Iraq would be to put the new DFID Iraq Directorate into an FCO-based structure.<sup>394</sup> There was, however, very little chance of DFID agreeing to that. The "next best thing" would be an enhanced FCO unit and strengthened liaison with other Whitehall departments. The FCO would have to "rely on the Sheinwald group [the Iraq Strategy Group] to crack the whip over DFID when necessary".

**716.** Later that day, Mr Straw approved the creation of a new FCO Iraq Directorate as the inter-departmental body responsible for co-ordinating the growing volume of Iraq-related work across Whitehall. The Directorate is described in more detail later in this Section.

**717.** Baroness Amos wrote to Mr Boateng on 10 September to request £6.5m from the Reserve to cover immediate further needs in Iraq, and that a further £33.5m should be "ear-marked" for anticipated requirements later in the financial year.<sup>395</sup> Baroness Amos stated that DFID's budget for Iraq for 2003/04 was now fully committed. Of the £33.5m, £20m could be required for a further contribution to the Essential Services Plan if US funding proved insufficient.

**718.** Baroness Amos wrote to Mr Blair the following day to advise that DFID's immediate operational priorities were to ensure that the Essential Services Plan was fully funded and to help the UN return to Iraq.<sup>396</sup> On the former, Baroness Amos advised:

"... 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 around. Immediate measures are now needed to maintain the Iraqi population's consent."

**719.** The Essential Services Plan would help to improve essential services, but solving the underlying problems in infrastructure would require billions of dollars and an Iraqi Government to determine policy. Systemic problems within the CPA continued to delay the transfer of promised CPA resources to the South. Baroness Amos concluded:

"If CPA HQ and [the] US Government fail to get its act together quickly, then we can only plug the gap if my earlier Reserve claim ... is approved."

**720.** Baroness Amos also advised that the UK's objectives for the forthcoming Madrid Donors Conference in October were to get the Iraqi citizens in the driving seat, and to secure a "credible outcome on pledges", which required a credible Iraqi budget.

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<sup>394</sup> Minute Chaplin to PUS [FCO], 9 September 2003, 'Iraq: Restructuring IPU'.

<sup>395</sup> Letter Amos to Boateng, 10 September 2003, 'Iraq Reconstruction Funding: Reserve Claim'.

<sup>396</sup> Telegram 1 DFID to IraqRep, 11 September 2003, 'Iraq Reconstruction: Cabinet Discussion on 11 September'.



**721.** Looking further ahead, Baroness Amos advised that DFID's medium-term priorities were "self-evident": robust macro-economic policy planning and budget management; reform of the public service; encouragement of civil society; and facilitation of private investment. Specific activities would be informed by sectoral assessments being undertaken by the World Bank, the IMF and UN agencies. As a leading member of the Coalition, the UK would be expected to play a substantial part in filling Iraq's financing gap.

**722.** On 16 September, Mr Straw, Mr Hoon and Baroness Amos agreed that officials should review the UK's approach to planning and preparation for post-conflict situations.<sup>397</sup> That work led to the establishment of the Post-Conflict Reconstruction Unit (PCRU) at the end of 2004. Section 10.3 describes the development of the UK's approach to planning and preparation for post-conflict reconstruction and the emergence of the broader concept of stabilisation.

**723.** Sir Hilary Synnott reported to the IPU on 17 September that, setting aside difficulties securing CPA funding for the Essential Services Plan, sources of funding for CPA(South), including the US Commanders Emergency Response Program (CERPs), were "starting to be unblocked" in Baghdad.<sup>398</sup> Progress was largely because of better communications between Baghdad and Basra but CPA(South) had also "radically streamlined" its procedures.

**724.** The Annotated Agenda for the 18 September meeting of the AHMGIR reported that Mr Bearpark had confirmed that CPA(Baghdad) would provide the US\$97m required to fully fund the Essential Services Plan, although the exact source of those funds had not yet been identified.<sup>399</sup>

**725.** The Annotated Agenda also stated that the US had decided to establish a Program Management Office (PMO) to oversee CPA reconstruction funds. The decision was a response to the persistent problems in transferring funds from CPA(Baghdad) and CPA regional offices, however:

"Our initial response is sceptical: the PMO will manage predominantly US funds, which will require US contracting and procurement procedures to be followed. The prospect of developing Iraqi capacity, and of opening up contracts to include UK companies (in the interests of effectiveness and value for money) remains negligible. Nevertheless, without participating in some form in the PMO, we may lose a point of influence."

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<sup>397</sup> Minute [unattributed], 17 September 2003, 'Meeting of the Secretaries of State for Foreign Affairs, Defence and International Development – 16 September 2003 at 2.15pm'.

<sup>398</sup> Email Synnott to Crompton, 17 September 2003, 'Funding for CPA(S): Looking Better'.

<sup>399</sup> Annotated Agenda, 18 September 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**726.** The Annotated Agenda stated that if the US\$97m required to complete the Essential Services Plan were channelled through the PMO, that might delay or prevent disbursement.

**727.** At the AHMGIR meeting, FCO officials reported that the CPA had produced a coherent strategy for improving the quality of the Iraqi Media Network.<sup>400</sup> Much could be funded by the CPA, but the UK should provide “niche assistance, including expertise, where best we could”.

**728.** Gen Walker said that there needed to be visible action on the Essential Services Plan before Ramadan.

**729.** Baroness Amos reported that Mr Benn and Mr Chakrabarti were in Iraq attempting to ease CPA funding. If that funding was not secured within four weeks, the Treasury would need to be approached.

**730.** Ministers asked officials to consider the UK’s involvement in the PMO further.

**731.** Ministers also agreed that officials should produce costed proposals for UK support on the media as soon as possible for discussion with the Treasury.

**732.** General Mike Jackson, Chief of the General Staff, visited Iraq from 12 to 15 September.<sup>401</sup> He reported to Gen Walker on 17 September:

“He [Maj Gen Lamb, GOC MND(SE)] does not require a third additional battalion or additional RE [Royal Engineers] squadron at the moment and is confident that he can meet any potential tasks that arise from the Essential Services Plan. There is therefore no requirement for an additional brigade HQ at this stage. This may change and we need to remain responsive to the needs of the GOC.”

**733.** Sir Hilary wrote in his memoir that he raised the need for additional support from the UK military with Gen Jackson during his visit:

“I explained that I had noted that the Army Headquarters judged that, despite the deteriorating security, their position was sustainable with their existing troop levels. In contrast, my organisation’s position was not ... If we were to travel to meet Iraqis and visit the other provinces ... our staff now needed to be escorted by military vehicles ...

“From then on, we had a steady and reliable system of escorts. They were inevitably never as much as we needed, so we had to cut back on our visits; but ... we sustained a reasonable level of activity.”<sup>402</sup>

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<sup>400</sup> Minutes, 18 September 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>401</sup> Minute CGS to CDS, 17 September 2003, ‘CGS Visit to Op.TELIC 12-15 Sep 03’.

<sup>402</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

**734.** Gen Jackson called on Baroness Amos on 18 September.

**735.** Baroness Amos' briefing for the meeting advised that, while the relationship between the military and DFID was "strengthening", there had been a number of misunderstandings, many of which stemmed from the difference in approach between the Overseas Development Administration (ODA) and DFID:

"... the military could draw on ODA financing in support of UK political (and thus military) objectives. The International Development Act now ties DFID down to much more stringent conditions for funds disbursement ..." <sup>403</sup>

**736.** The briefing warned that Gen Jackson might draw unfavourable comparisons between the UK's reconstruction effort in Kosovo and Iraq:

"Without the CPA delivering ... There is a reasoned argument that HMG should have planned to support its military effort with a civilian 'colonial' effort, and [Gen] Jackson may be of the view that DFID should have mounted a bilateral UK operation similar to Kosovo, carrying out immediate infrastructure work, repairing schools, hospitals and so on. Not only was this not the strategy adopted by HMG [Her Majesty's Government], but a similar DFID effort would not have been possible. Kosovo's size, population, level of local consent, and interim governance arrangements were entirely different. A wider 'colonial' role is neither DFID's role nor our comparative advantage."

**737.** During the meeting, Gen Jackson said that the International Development Act (IDA) had created "conceptual and procedural difficulties which worked against a centralised HMG effort" <sup>404</sup>.

**738.** Baroness Amos responded that, while the IDA had changed the way that DFID worked, it was still able to work with the military effectively. There was a need to prepare and plan better for post-conflict reconstruction "particularly in the very fragile transition stage".

**739.** Baroness Amos continued:

"We had all been failed by the CPA ... HMG's decision to put so much faith in the CPA was compounded by our failure to understand the US way of doing things ... DFID's £20m infrastructure project in the South in expectation of a further and larger funding allocation for infrastructure from CPA(Baghdad) was moving in the right direction – but we could not be complacent and had to make contingency arrangements in case CPA funding did not come through."

<sup>403</sup> Minute DFID [junior official] to PPS/Secretary of State [DFID], 16 September 2003, 'Meeting with General Sir Michael Jackson, Chief of the General Staff – Thursday 18 September'.

<sup>404</sup> Minute DFID [junior official] to PPS/Secretary of State [DFID], 23 September 2003, 'Meeting Note: General Sir Michael Jackson CGS'.

**740.** Mr Benn and Mr Chakrabarti visited Iraq from 17 to 19 September.<sup>405</sup> On his return, Mr Benn wrote to Mr Blair:

“Security remains *the* concern. Provided we get this right alongside the politics, reconstructing Iraq is possible ... The Iraqis need to be helped to take charge. We need to support them ... and to persuade the Americans (who hold very fixed views) that this is both desirable and feasible.

“Improving life for ordinary Iraqis is the main priority. Electricity, water and jobs will maintain consent and therefore security. It is in the South that the UK can, and must, deliver. Expectations are high. There is progress now on the Essential Services Project ... and we are working on the right issues in the very short term – infrastructure, policing, and improving information to Iraqis ... In the medium term we should focus our support on helping key Iraqi ministries rather than CPA(Baghdad). Long term, we need to think about how we organise ourselves for this kind of operation.

“We have to recognise that our influence is limited with the CPA and Bremer, although the UK presence there, and in particular Jeremy Greenstock’s role in Baghdad, is vital in staying alongside both. Therefore it’s what we can do in the South that should occupy our practical, as opposed to our diplomatic, efforts.

“We are still not getting our achievements across back in the UK ...

“We must now turn our attention to the Madrid Donors Conference. We made the point forcefully to Bremer, and encouragingly to the Iraqis, that the Governing Council and the Minister of Finance should be on the top table ... We will need to lobby other donors hard, and have a credible pledge to make ourselves ...

“One major concern is the continuing problem with setting up the Independent Advisory and Monitoring Board for the Development Fund for Iraq (DFI). Bremer seems unconcerned, but it is going to make it very hard to get countries to put money in if the international guardian of the DFI can’t start work. It’s embarrassing, and someone will have to tell Bremer to sort it out, because he won’t do so on his own. In the light of the Conference, and our own pledge, we can then consider the next stage of the UK reconstruction effort.

“As we reflect on the Iraq experience, we do need to think about how HMG is geared up to respond to the reconstruction phase of such operations. We are beginning to do some thinking on this, but we need to learn lessons for the future.”

**741.** Sir Hilary Synnott reported from Basra on 22 September that, while in Basra, Mr Benn and Mr Chakrabarti had agreed “extraordinary procedures” for the disbursement of DFID’s £20m contribution to the Essential Services Plan, which meant

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<sup>405</sup> Letter Benn to Blair, 20 September 2003, ‘My Visit to Iraq: 17-19 September’.

that DFID's funds should be available that day.<sup>406</sup> Implementation of the Plan would start at once. Sir Hilary reported:

“In front of the Minister [Mr Benn], Gen Lamb instructed his staff that the pins were to be removed from the DFID doll.”

**742.** Two days later, in the context of an update of developments in Baghdad, Sir Jeremy Greenstock, the Prime Minister's Special Representative on Iraq, reported:

“London will hate me for saying this, but it is something keenly felt by the best senior people in our military ... the UK has not yet put the intensity of resources into the civilian side of our operation, in terms of both personnel and project money, to convince the Americans that our analysis ... has to be listened to. If we watch our housekeeping too carefully in this respect, we may be forced down the wrong road ... I shall have to come back to this quite soon.”<sup>407</sup>

**743.** A Treasury official provided advice to Mr Boateng on 18 September on how the Treasury intended to deal with the expected surge in Iraq-related claims on the Reserve.<sup>408</sup>

**744.** Departments had seen Mr Blair's call for a step-change in the UK effort in Iraq (on 3 June) as “a legitimate invitation” to bid for more resources. Departments were developing or considering seven bids. The largest of those was a bid being prepared by DFID for around £250m, as the UK's additional contribution to Iraq's reconstruction. The UK would need to make a pledge at the forthcoming Madrid Donors Conference.

**745.** The official advised that it was vitally important to maintain pressure on departments, both at Ministerial and official level, not to submit claims in the first place. The Treasury would also continue to push for greater co-ordination between departments in funding Iraq programmes.

**746.** Treasury officials had concluded that the best course of action in the short-term would be to continue to scrutinise claims on a case-by-case basis, in terms of value-for-money, impact, robustness of the costing, and robustness of the risk management. Departments would also have to provide “clear evidence” on the extent to which they had reprioritised their existing resources to accommodate Iraq.

**747.** The availability of CPA funding was key. Some officials in CPA(South) had stated that it was easier to secure funding from London than from CPA(Baghdad). The Treasury should therefore continue to push for CPA(Baghdad) to fund initiatives in the South, rather than providing a significant increase in UK funding, which could create

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<sup>406</sup> Telegram 26 CPA(South) to FCO London, 22 September 2003, ‘South Iraq: Visit of Hilary Benn: Knots Untied’.

<sup>407</sup> Teleletter Greenstock to Sheinwald, 24 September 2003, [untitled].

<sup>408</sup> Minute Treasury [junior official] to Chief Secretary, 18 September 2003, ‘Iraq Funding FY 2003-04: Dealing with Reserve Claims’.

“expenditure overlaps” and alleviate the pressure on CPA(Baghdad) to resolve the problem of transferring resources to the regions.

**748.** Mr Boateng replied to Baroness Amos’ request for £40m from the Reserve on 25 September.<sup>409</sup> He agreed to provide an additional £6.5m from the Reserve to cover immediate further needs in Iraq, but rejected the request to earmark £33.5m for DFID’s anticipated future needs, citing “recent reports that ... [US] sources of funding are now starting to be unblocked”.

**749.** In his evidence to the Inquiry, Sir Suma Chakrabarti suggested that the exchange had not occurred in isolation:

“We had discussions [with] the Treasury but it was quite obvious to us that they weren’t going to give any more than they already had ... They had put some money in upfront [in late March 2003, for humanitarian assistance], but, after that, they said it is time to reprioritise.”<sup>410</sup>

**750.** Sir Nicholas Macpherson, Director General in charge of Public Expenditure from 2001 to 2005 and then Permanent Secretary at the Treasury, told the Inquiry that, although it was “totally open” to Baroness Amos to challenge that response, she did not.<sup>411</sup> He pointed out that the US\$100m announced by Mr Brown in his 9 April budget statement was never fully claimed by departments.

**751.** In a video conference with President Bush on 16 September, Mr Blair commented that Mr Thatcher had now set out a “shopping list” for the Iraqi Media Network, costed at US\$40m.<sup>412</sup> The question of funding would be pursued with the CPA. The record of the video conference was sent to the FCO.

**752.** Mr Straw wrote to Mr Boateng on 6 October, to bid for £13.9m from the Reserve as the UK’s contribution to improving the content and professionalism of the Iraqi Media Network.<sup>413</sup>

**753.** Mr Boateng replied to Mr Straw on 16 October, rejecting the FCO’s bid on the grounds that he was not satisfied the proposal would deliver value for money and that the FCO had not fully exploited existing resources.<sup>414</sup>

**754.** Mr Boateng’s decision on funding for the Iraqi Media Network was relayed to the Iraq Senior Officials Group (ISOG) the same day.<sup>415</sup> Sir Jeremy Greenstock, visiting

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<sup>409</sup> Letter Boateng to Amos, 25 September 2003, ‘Iraq: Reconstruction Funding: Reserve Claim’.

<sup>410</sup> Public hearing, 22 January 2010, page 39.

<sup>411</sup> Public hearing, 22 January 2010, page 22.

<sup>412</sup> Letter Cannon to Adams, 16 September 2003, ‘Iraq: Prime Minister’s Video Conference with Bush, 16 September 2003’.

<sup>413</sup> Letter Straw to Boateng, 6 October 2003, ‘Reconstructing the Iraqi Media Network: Claim on the Reserve’.

<sup>414</sup> Letter Boateng to Straw, 16 October 2003, ‘Iraq Reserve Claim: Reconstructing the Media Network’.

<sup>415</sup> Minute Dodd to Sheinwald, 20 October 2003, ‘Iraq: Senior Officials Group’.

from Baghdad, said that it would be difficult for him to return to the CPA without any UK funding, and that more generally “the absence of financial flexibility was making our work harder in Baghdad”.

### Staffing the CPA and new structures in London

**755.** The FCO sent an update on UK staffing in the CPA to Sir Nigel Sheinwald on 9 September.<sup>416</sup> Staffing in CPA(Baghdad) was “about right”, at 60 secondees. A major rotation of staff over the next two months would be an opportunity to increase the UK’s focus on “Ministerially-agreed priorities of Governance, Security Sector Reform, Reconstruction and the Economic/Oil Ministries”. There might also be a requirement to place a few additional staff in the CPA’s Information Directorate.

**756.** The FCO’s priority was staffing CPA(South) and the Governorate Teams. The 37 specialists for CPA (South) requested by Sir Hilary Synnott would be sourced through a DFID consultancy contract. The aim was to have them ready to deploy by mid-October.

**757.** Heads had been selected for the four UK-led Governorate Teams (Basra and Dhi Qar in the south, Wasit in central Iraq, and Kirkuk in the north). The first, Mr John Bourne, had deployed to Baghdad for a familiarisation briefing before taking up post in Dhi Qar (Nasiriyah). The other three would follow later in the month. The FCO had planned to fill just four slots in each team, but it was clear that “the CPA bank of staff is dry and that we should plan on filling our Governorates ourselves”. The objective was to have all staff in place by the end of September.

**758.** The remaining three Governorate Co-ordinators deployed to Iraq by the UK were:

- Mr Henry Hogger (Basra), deployed on 24 September;
- Mr Mark Etherington (Wasit), deployed on 29 September;
- Mr Paul Harvey (Kirkuk), deployed on 29 October.<sup>417</sup>

**759.** The Inquiry has not seen terms of reference for the UK’s four Governorate Co-ordinators, but appointment letters sent to seven others by Ambassador Bremer on 25 September and published by the DoD, defined their role and lines of command within the CPA:

“You are the CPA’s principal representative to the local governments in [name of governorate]. You will lead a Governorate Team (GT) comprised of a CPA staff element, a military Governorate Support Team, a contracted Local Governance Team, and Iraqi advisors.

“The GT will provide local governance; identify, train, and mentor local Iraqi leaders for roles within future Iraqi government; monitor local contracts and provide

<sup>416</sup> Letter Adams to Sheinwald, 9 September 2003, ‘Staffing for CPA Iraq’.

<sup>417</sup> Contact list, 12 January 2004, ‘UK Personnel Deployed (As at 30 Dec 03)’.

program management; coordinate with Coalition military and non-governmental organizations; and advise local government ministry officials ...

“You will report to me through the [CPA] Director of Operations and Infrastructure for operational matters and through the [CPA] Director of Governance for political issues. You may draw on the Regional Coordinators and CPA staffs as needed for technical program and support.”<sup>418</sup>

**760.** On 1 October, Sir Jeremy Greenstock commented to London that those lines of command were “complex”.<sup>419</sup> He also confirmed that his office had agreed with CPA officials that the UK would deploy personnel into the CPA’s GTs only when Sir Jeremy, the FCO and DFID were satisfied that appropriate security measures were in place. In practice, that meant that, until additional security measures were in place, all UK staff would be deployed to Wasit, Tamim and the four Governorates in CPA(South).

**761.** In a briefing note to all staff on the role and purpose of CPA(South), dated 12 November, Sir Hilary Synnott described the relationship between the Governorate Teams, Baghdad and CPA(South) as “complicated”, though he saw “no reason why they should not become workable and mutually advantageous”.<sup>420</sup> He added that “difficulties in the relationship between the Governorate Teams and the regional centre pale into insignificance beside those in mastering what is going on in Baghdad”.

**762.** The UK Government has not been able to provide the Inquiry with precise figures for UK personnel deployed to the GTs. A contact list for UK personnel in Iraq on 30 December 2003 showed 48 UK personnel (including close protection teams) deployed to GTs across Iraq, 36 of them in the four southern governorates of Basra, Dhi Qar, Maysan and Muthanna, the others to Wasit and Kirkuk.<sup>421</sup> Figures for each Team were:

- Basra 22 (including a close protection team);
- Dhi Qar 4;
- Maysan 10 (including a close protection team and Deputy Governorate Co-ordinator, Mr Rory Stewart, who served as acting Governorate Co-ordinator between September and November);<sup>422</sup>
- Muthanna 1;
- Wasit 4;

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<sup>418</sup> Minute Coalition Provisional Authority Baghdad, 25 September 2003, ‘Letters of Authorization for Governorate Coordinators’ attaching Letter Bremer, 25 September 2003, ‘Governorate Coordinator Appointment’.

<sup>419</sup> Telegram 191 IraqRep to FCO London, 1 October 2003, ‘UK Governorate Manning’.

<sup>420</sup> Paper Synnott, 12 November 2003, ‘CPA (South): Its Role and Purpose’, reproduced in Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>421</sup> Paper [unattributed], 12 January 2004, ‘UK Personnel Deployed (As at 30 Dec 03)’.

<sup>422</sup> Stewart R. *Occupational Hazards*. Picador, 2006.



- Kirkuk 7 (including Ms Emma Sky, who had been the senior CPA civilian in Kirkuk since June).<sup>423</sup>

**763.** The RAND history of the CPA, *Occupying Iraq*, stated that it took six months to get CPA officials into Iraq's 18 governorates and that "the small staffs were often overwhelmed by the scale of their responsibilities".<sup>424</sup> Teams sent weekly reports to CPA(Baghdad), but "progress (or the lack thereof) at the provincial and local level depended largely on the initiative and improvisation of individual governorate coordinators and military commanders".

**764.** The new FCO Iraq Directorate, which Mr Straw had agreed the previous month, was established on 16 October.<sup>425</sup> It was headed by Mr John Buck, reporting to Mr John Sawers, the FCO Political Director. Mr Chaplin remained "closely involved in the political process and regional aspects" as FCO Director Middle East and North Africa.

**765.** The Directorate comprised three units:

- the Iraq Policy Unit (IPU), headed by Mr Crompton, covering the political process, UN issues, fiscal and monetary policy, human rights, bilateral affairs and travel advice;
- the Iraq Security Sector Unit (ISSU), headed initially by Mr Robert Chatterton Dickson, to be replaced from 29 October by Ms Kate Smith, covering politico-military affairs, liaison with the MOD, reconstruction and training of the Iraqi army and police forces and co-ordination of security assessments; and
- the Iraq Operations Unit (IOU), headed by Mr Philip Parham, covering civil reconstruction, liaison with DFID, media development and deployment of and support for UK personnel in the CPA.

**766.** On 27 October, Sir Hilary Synnott requested a further 44 staff for CPA(South) to cover "political reporting, governance issues and CPA(S) internal support", in addition to the 37 specialist staff that he had requested at the end of August.<sup>426</sup> Sir Hilary reported that DFID was arranging recruitment of the 37 specialists.

**767.** The 14 November meeting of the ISOG was advised that the first 10 to 15 specialists of the 37 requested by Sir Hilary at the end of August, would deploy that month.<sup>427</sup> The "bulk" would follow in December.

<sup>423</sup> Public hearing Sky, 14 January 2011, pages 9-10.

<sup>424</sup> Dobbins J, Jones SG, Runkle B & Mohandas S. *Occupying Iraq: A History of the Coalition Provisional Authority*. RAND Corporation, 2009.

<sup>425</sup> Minute Buck to All Departments, 16 October 2003, 'Creation of Iraq Directorate'.

<sup>426</sup> Telegram 38 Basra to FCO London, 27 October 2003, 'CPA(South): Staffing Requirements'.

<sup>427</sup> Minutes, 14 November 2003, Iraq Senior Officials Group meeting.

## First cross-Whitehall Strategy for Iraq

**768.** A draft ‘UK Iraq Strategy’ was circulated to members of the AHMGIR for comment on 26 September.<sup>428</sup>

**769.** The final version was issued to members of the AHMGIR by the Cabinet Office on 8 October after “those Private Offices who responded indicated their Ministers’ endorsement”.

**770.** Sir Nigel Sheinwald annotated his copy: “I don’t see a need for PM [Mr Blair] to see this”.<sup>429</sup>

**771.** The Strategy acknowledged the CPA Strategy published in July 2003 and stated that this was a longer-term UK Strategy for Iraq that was broadly consistent with the CPA Strategy, but which set the framework for specific UK activities towards a common objective.<sup>430</sup>

**772.** The Strategy identified the UK objective as:

“Iraq to become a stable, united and law-abiding state, within its present borders, co-operating within the international community, no longer posing a threat to its neighbours or to international security, abiding by all its international obligations and providing effective representative government, sustainable economic growth and rising living standards to its entire people.”

**773.** The Strategy stated that:

- Successful reconstruction required the “widest possible” international support. Getting the UN and IFIs engaged would increase the chances of securing that support.
- The US had far greater resources than the UK, but UK influence over US policy was limited and the UK’s approach would be “vulnerable to shifts in US thinking”.
- The UK was active at a national level, but UK assets were concentrated in the South where the UK was most exposed to the consequences of failure.
- There were few quick fixes for essential services. Improvement would require multi-year projects “even beyond the scope of the CPA if it receives US\$20bn from Congress”. Nevertheless, the UK needed to demonstrate some visible progress in improving living standards in order to maintain local consent. For the UK in CPA(South), that would require more funding and more skilled personnel.

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<sup>428</sup> Minute Dodd to Sheinwald, 8 October 2003, ‘UK Iraq Strategy’ attaching Paper Cabinet Office, 7 October 2003, ‘UK Iraq Strategy Paper’.

<sup>429</sup> Manuscript comment Sheinwald on Minute Dodd to Sheinwald, 8 October 2003, ‘UK Iraq Strategy’.

<sup>430</sup> Paper Cabinet Office, 7 October 2003, ‘UK Iraq Strategy Paper’.

**774.** The Strategy stated that “to help planning”, Iraq’s recovery should be considered in three phases: stabilisation, to December 2003; recovery, to December 2004; and normalisation, from January 2005. The Strategy defined “UK objectives” for each phase in relation to security, the political process and reconstruction.

**775.** The UK’s over-arching reconstruction objective for the stabilisation phase (to December 2003) was that Iraq would reach pre-conflict levels of “development and order”.

**776.** The objective for the recovery phase, to December 2004, was that Iraq would exceed pre-conflict levels of development and order, and plans would be being implemented to develop Iraq’s own capacity to lead economic and physical reconstruction.

**777.** The objective for the normalisation phase, from January 2005, was that Iraq would be “largely self-supporting”, providing its own public services and with a growing market-based economy.

**778.** The Strategy acknowledged that this scenario was “ambitious”. Risks to progress included resistance to the Coalition and slow progress on the political process and reconstruction. A protracted occupation would be costly, increase anti-Western sentiment across the region and provide further reason for terrorist attacks in US and UK interests.

**779.** The UK would continue to be active in a number of areas but would, as Ministers had directed, focus its engagement on economic management, SSR and oil. An Action Plan covering the stabilisation phase was being developed.

**780.** On resources, the Strategy stated that the UK military occupation force would cost around £1bn in 2003/04 (and less in future years). The DFID programme for 2003/04 was £201m and was fully committed. Of the £60m provided by the Treasury in April, the FCO had been allocated £21m to cover CPA staff and security costs, and DFID had bid for the remaining £40m.<sup>431</sup>

**781.** Looking ahead, the Strategy stated that departments’ bids for funding for Iraq for 2004/05 would be subject to negotiation with the Treasury. An “appropriate” level of UK contribution to reconstruction and development was being considered in the light of Iraq’s needs, Iraqi and international contributions, and the UK’s resource position.

**782.** Sir Suma Chakrabarti told the Inquiry that the UK Strategy was:

“Very important, but quite high-flown sort of stuff and not really linked to operational detail.”<sup>432</sup>

<sup>431</sup> The Treasury had agreed on 25 September to provide DFID with an additional £6.5m from the Reserve, but rejected its request to earmark £33.5m for anticipated future needs.

<sup>432</sup> Public hearing, 22 January 2010, page 4.

**783.** Sir Suma added that, as the UK Strategy did not satisfy DFID's need for operational detail, DFID produced its own strategy (the Interim Country Assistance Plan) at the beginning of 2004.

### **Lobbying for a level playing field for UK businesses**

**784.** The UK Government continued to lobby the US and the CPA for a level playing field for UK companies bidding for CPA contracts in Iraq (see Section 10.3).

**785.** Trade Partners UK (TPUK), the division of British Trade International (BTI) responsible for promoting UK exports, produced an update on commercial issues on Iraq for Mr Blair on 10 October.<sup>433</sup>

**786.** TPUK advised that their strategy was:

“... to position UK firms as best we can through the provision of information about contacts, procurements issues, etc, and to press the US authorities (and the CPA) to ensure a level playing field on which UK companies can compete.”

**787.** In response, the US had made it clear that, while it welcomed the participation of UK companies, there was “no ‘special deal’”.

**788.** The update concluded that UK firms were doing “quite well” given that most of the work so far had been US-funded.

**789.** UK Government lobbying on behalf of UK business intensified in early 2004, in anticipation of the contracts that would flow from the additional funding for reconstruction requested by the CPA and against a background of growing press and Parliamentary criticism that UK companies were at a disadvantage in bidding for US-funded contracts.

### **Madrid Donors Conference, 23 and 24 October 2003**

**790.** The Annotated Agenda for the 2 October meeting of the AHMGIR stated that the UK's primary objective for the Madrid Donors Conference, which would be held on 23 and 24 October, was to broaden international support for reconstruction in Iraq and secure the necessary funding for it.<sup>434</sup> The Conference should also:

- demonstrate international support for Iraqi proposals for political and economic progress;
- recognise the Governing Council and Ministers as the principal interlocutors for donors;
- endorse the Iraqi budget for 2004 and the priorities identified by the IFI/UN needs assessments;

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<sup>433</sup> Letter Zimmer to Rycroft, 10 October 2003, 'Iraq: Update on Commercial Issues' attaching Paper TPUK, 10 October 2003, 'Iraq: Update on Commercial Issues'.

<sup>434</sup> Annotated Agenda, 2 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

- agree finance for Iraq's reconstruction, preferably using the Multi-Donor Trust Fund; and
- note the Paris Club process for addressing Iraq's external debt problems.

**791.** The Annotated Agenda stated that many donors felt excluded from the Madrid process, "disaffected by the lack of a clear political process and disinclined to pledge before it is sorted out". There were a number of issues to resolve before UK objectives could be achieved:

- clarity on financing needs;
- a clear timetable to Iraqi sovereignty;
- a clear financing mechanism;
- agreement on the role of the IAMB;
- engaging IFIs and "quality donors" to ensure reconstruction was effective;
- a more inclusive approach to managing the Conference; and
- a credible UK pledge to leverage others.

**792.** If the Conference did not deliver the necessary international support, the US might need to fund "the major requirements for 2004 with limited help from Coalition partners, including the UK".

**793.** The AHMGIR agreed that Ministers and Mr Blair should lobby their counterparts on the lines proposed.<sup>435</sup>

**794.** The AHMGIR also agreed that the CPA should be funding projects in CPA(South). UK funding was small compared with US funding, and the Reserve was already under pressure.

**795.** The UN and World Bank presented the main findings of their Joint Needs Assessment (JNA) to the Conference's Core Group (the United Arab Emirates, the US, the EU and Japan) on the same day.<sup>436</sup> The JNA estimated that Iraq's "overall stock of reconstruction needs" over the period 2004 to 2007 was US\$36bn. In addition, the CPA had estimated that US\$20bn was needed in critical sectors not covered by the JNA, including security and oil. Iraqi oil and tax revenues and private sector financing would reduce the need for external financing.

**796.** Baroness Amos wrote to Mr Boateng on 3 October, to propose that DFID could provide up to £130m from its core budget for financial years 2004/05 and 2005/06, as part of a UK pledge at Madrid.<sup>437</sup> That figure included £70m from DFID's contingency reserve, £50m from funds reallocated from other middle-income countries, and the existing planned provision for Iraq.

<sup>435</sup> Minutes, 2 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>436</sup> UN, Press Release, 2 October 2003, *UN/World Bank Present Iraq Reconstruction Needs To Core Group*.

<sup>437</sup> Letter Amos to Boateng, 3 October 2003, 'Iraq Financing'.

**797.** Baroness Amos advised that this contribution reflected Iraq's needs and DFID's commitments, including its commitment to increase the proportion of bilateral spend allocated to low-income countries to 90 percent by 2005/06 and to establish a £1bn assistance programme for Africa by 2005/06.

**798.** Baroness Amos also advised that a "significant" amount of the pledge should be allocated to the Multi-Donor Trust Fund, which would focus on the social sectors and encourage similar contributions from other donors.

**799.** A Treasury official advised Mr Brown later that day that DFID could probably find £390m from its existing resources, and the Global Conflict Prevention Pool (GCPP) a further £30m, giving a UK pledge of £420m for 2004/05 and 2005/06.<sup>438</sup> She recommended that the Treasury push DFID hard to find more from its existing resources.

**800.** No.10 responded to Baroness Amos's letter to Mr Boateng on 4 October.<sup>439</sup> Mr Rycroft said that Mr Blair:

"... would like the UK to play a leading role within the international community in this area. So he thinks that the UK pledge should be significantly larger than Departments appear to be contemplating, in the order of £500m. This will need to include genuinely new money, not the result of creative accounting."

**801.** The JNA was published on 9 October.<sup>440</sup>

**802.** The FCO reported the following day that the Core Group had agreed three objectives for the Conference:

- to endorse the priorities for reconstruction in Iraq;
- to provide a forum for donors to make pledges of assistance; and
- to agree a multilateral framework for assistance, including a Multi-Donor Trust Fund administered by the UN and World Bank, separated from but co-ordinated with the DFI.<sup>441</sup>

**803.** The 9 October meeting of the Defence and Overseas Policy (DOP) Sub-Committee of the Cabinet agreed that the UK should pledge US\$900m at the Conference.<sup>442</sup>

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<sup>438</sup> Minute Treasury [junior official] to Chancellor, 3 October 2003, 'Iraq: UK Contribution at Madrid Donors Conference'.

<sup>439</sup> Letter Rycroft to Malik, 4 October 2003, 'Iraq: Madrid Donors Conference'.

<sup>440</sup> UN/World Bank, Press Release, 9 October 2003, *Iraq: United Nations, World Bank Publish Needs Assessment*.

<sup>441</sup> Telegram 55 FCO London to Brussels, 3 October 2003, 'Iraq: Madrid Donors Conference'.

<sup>442</sup> Minutes, 9 October 2003, DOP meeting.

**804.** Treasury officials sent an analysis of “how we think this figure [US\$900m] can be achieved from within existing resources” to Mr Brown after the DOP meeting.<sup>443</sup> Their analysis (which totalled £544m, some US\$908m) comprised:

- £201m already committed by DFID to Iraq for 2003/04;
- £115m from DFID’s contingency reserve (Departmental Unallocated Provision (DUP)) for 2004/05 and 2005/06;
- £12m from DFID’s Iraq programme for 2004/05 and 2005/06;
- £50m from DFID’s other programmes in middle-income countries for 2004/05 and 2005/06;
- £30m from the GCPP, comprising the existing £15m allocation for Iraq for 2003/04 and 2004/05 and a further £15m in planned allocations for 2004/05 and 2005/06;
- £7.5m from the FCO’s Global Opportunities Fund, representing possible future allocations for 2004/05 and 2005/06;
- £30m from MOD allocations for Quick Impact Projects (QIPs), comprising the existing £20m allocation for 2003/04 and the estimated future allocation of £10m for 2004/05;
- £60m announced in the 9 April 2003 Budget statement for humanitarian and reconstruction activities in Iraq; and
- £38.5m as the UK’s assessed share of European Commission aid to Iraq in 2003/04 and 2004/05.

**805.** Mr Blair and other Ministers lobbied donors, including the US, the IMF, the World Bank, and European and regional partners in the run-up to the Madrid Conference.<sup>444</sup>

**806.** The Annotated Agenda for the 16 October meeting of the AHMGIR reported that the European Commission would pledge €200m (including the UK’s assessed share of £38.5m); apart from the UK, no EU Member State had yet declared a pledge.<sup>445</sup> Germany and France had “stonewalled” when lobbied by Mr Straw, but the UK expected significant pledges from Italy (as a Coalition partner) and Spain (as Conference hosts). Officials recommended that the UK focus its lobbying on Italy, Spain, Germany and the Gulf states, all of which might contribute substantially.

**807.** The Annotated Agenda also reported that IFIs and the CPA had agreed terms of reference for the IAMB, which should help preparations for Madrid.

**808.** In discussion, Ministers described the European Commission pledge as “shameful” and agreed that they, Mr Blair and officials should intensify their lobbying efforts.<sup>446</sup>

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<sup>443</sup> Minute Treasury [junior officials] to Chancellor, 9 October 2003, ‘Iraq: Agreeing UK Contribution at Madrid Donors Conference’.

<sup>444</sup> Minute Cabinet Office [junior official] to Sheinwald, 13 October 2003, ‘Iraq: Senior Officials Group’.

<sup>445</sup> Annotated Agenda, 16 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>446</sup> Minutes, 16 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**809.** The UN Security Council adopted resolution 1511 on 16 October (see Section 9.2).<sup>447</sup> The resolution urged Member States and international and regional organisations to support Iraq's reconstruction, including by making substantial pledges at the Madrid Donors Conference.

**810.** The IAMB was formally established on 24 October.<sup>448</sup> It would not hold its first meeting until early December.

**811.** Representatives from 73 countries, 20 international organisations and 13 non-governmental organisations and associations attended the Madrid Donors Conference on 23 and 24 October.<sup>449</sup>

**812.** Donors pledged a total of between US\$32.2bn and US\$35.9bn, including:

- The US, the largest contributor, pledged US\$18.649bn.<sup>450</sup>
- Japan pledged US\$4.914bn, US\$1.414bn on grant terms and up to US\$3.5bn on concessional loan terms, with the amount dependent on security, political progress and progress on reconstruction and resolution of Iraq's debt issue.
- The World Bank pledged between US\$3bn and US\$5bn.
- The IMF pledged between US\$2.55bn and US\$4.25bn.
- Saudi Arabia and Kuwait each pledged US\$500m; the UK US\$452m, Italy US\$236m, the European Commission US\$235m, Spain US\$220m, the United Arab Emirates US\$215m and South Korea US\$200m.
- A number of countries, including Germany, offered assistance in kind.
- France did not make a pledge.<sup>451</sup>

**813.** The recorded UK pledge of US\$452m excluded the UK's allocations for humanitarian assistance, amounts that had previously been pledged, and the UK's attributed share of European Commission development expenditure.

**814.** The Conference noted that an International Reconstruction Fund Facility for Iraq (IRFFI) was being established, to help co-ordinate and channel funding from the international community.<sup>452</sup> The IRFFI would be administered by the World Bank and UN in close co-ordination with the Iraqi authorities.

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<sup>447</sup> UN Security Council Resolution 1511 (2003).

<sup>448</sup> IAMB for Iraq, Press Release, 24 October 2003, *Establishment of International Advisory and Monitoring Board*.

<sup>449</sup> International Reconstruction Fund Facility for Iraq, [undated], *Conclusions by the Chair International Donors Conference for the Reconstruction of Iraq Madrid, 23-24 October 2003*.

<sup>450</sup> The US pledged US\$20.3bn at the Conference subject to Congressional approval. The pledge was subsequently revised to US\$18.649bn.

<sup>451</sup> International Reconstruction Fund Facility for Iraq, [undated], *International Donors' Conference for Iraq Madrid, 23-24 October 2003: Summary Table by Donor*.

<sup>452</sup> International Reconstruction Fund Facility for Iraq, [undated], *Conclusions by the Chair International Donors Conference for the Reconstruction of Iraq Madrid, 23-24 October 2003*.



**815.** The Inquiry considers and refers to the IRFFI in terms of its two component parts – the World Bank Trust Fund and the UN Trust Fund.

**816.** The Annotated Agenda for the 6 November meeting of the AHMGIR reported that the Conference had been “more successful than first imagined”, not least because of the “political commitment” shown by the international community.<sup>453</sup> The JNA and increased certainty over the scale of resources available for reconstruction would enable DFID to begin drafting a Country Assistance Plan.

**817.** Sir Nicholas Macpherson told the Inquiry that the Conference was “probably the key milestone in financing the reconstruction effort” and had “galvanised international support for reconstruction”.<sup>454</sup>

**818.** Mr Jim Drummond, DFID Director Iraq from September 2003 to December 2004,<sup>455</sup> identified the Conference as one of DFID’s successes in the CPA period:

“I think we [DFID] had helped to galvanise the international donor community to contribute in Madrid. I think that was quite a success. Delivering after Madrid became more of a challenge because of security, but in terms of bringing the international community back together after what had been a fairly controversial phase, then Madrid was a good point.”<sup>456</sup>

**819.** Mr Drummond also told the Inquiry that the proportion of the Madrid pledges to reach Iraq “varied quite a lot from country to country. With a lot of countries finding it – because they didn’t have the capacity to spend – difficult to deliver.”<sup>457</sup>

## Priorities for the last six months of Occupation

**820.** Section 9.2 describes:

- the growing insurgency from October 2003 in Baghdad and the Sunni Triangle; and
- the increasing US and UK concerns that Ambassador Bremer’s Seven Step Plan for the restoration of Iraqi sovereignty would not lead to credible elections on the basis of a legitimate constitution sufficiently quickly to retain the consent of the Iraqi people.

**821.** Baroness Amos was appointed Leader of the House of Lords on 6 October. Mr Benn succeeded her as International Development Secretary.

<sup>453</sup> Annotated Agenda, 6 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>454</sup> Statement, 15 January 2010, page 4.

<sup>455</sup> Mr Drummond had previously been Assistant Head of OD Sec in the Cabinet Office.

<sup>456</sup> Public hearing, 17 December 2009, page 31.

<sup>457</sup> Public hearing, 17 December 2009, pages 33-34.

**822.** Sir Jeremy Greenstock reported to Mr Blair on 15 October that, in contrast to Baghdad and the Sunni Triangle:

“... a virtuous circle seemed to be building up in the South, with locals supporting the reconstruction process and turning in to the Coalition outsiders who disrupted it.”<sup>458</sup>

**823.** Sir Jeremy advised that, despite the success of British efforts in the South, the success or failure of the Coalition project would be decided in Baghdad. It was vital that the UK took a strong policy interest there. Limited UK funding (which Sir Jeremy estimated at two percent of the US contribution) curtailed UK influence.

**824.** Sir Jeremy reported on 24 October that Gen Sanchez had ordered a “comprehensive review of security to try to regain operational momentum”.<sup>459</sup> Sir Jeremy commented that the review represented “a clear move from stabilisation towards counter-insurgency operations”.

**825.** On 26 October, the al-Rashid Hotel in the Green Zone of Baghdad, used as a Coalition military base, was hit by a number of rockets.<sup>460</sup> The attack killed a US soldier and injured 15 other people, including a UK Treasury secondee to the CPA.

**826.** Mr Bearpark told the Inquiry that he viewed the attack as a turning point:

“We [the CPA] were very, very clearly on an upward slope until then ... We believed that the CPA was getting better at what it was meant to do and we were all optimistic ... From [that point] onwards, then the graph just went sharply down.”<sup>461</sup>

**827.** Sir Nicholas Macpherson told the Inquiry that the attack prompted the withdrawal of all Treasury officials from Iraq.<sup>462</sup> Some would return in January 2004, once secure accommodation had been provided.

**828.** A 5 November JIC assessment advised that, by attacking a wider set of targets, extremists aimed to undermine the Coalition’s political objectives.<sup>463</sup> Those targets included international organisations:

“Many NGOs have already withdrawn from Iraq and the International Committee of the Red Cross (ICRC), like the UN, intends to pull out most international staff. Medecins Sans Frontieres has already decided to do so and others may follow.”

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<sup>458</sup> Letter Cannon to Owen, 16 October 2003, ‘Iraq: Sir Jeremy Greenstock’s Call on the Prime Minister’.

<sup>459</sup> Telegram 230 IraqRep to FCO London, 24 October 2003, ‘Iraq: Security Update’.

<sup>460</sup> *BBC News*, 26 October 2003, *US shocked at Iraq hotel attack*; Annotated Agenda, 6 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>461</sup> Public hearing, 6 July 2010, pages 43–44.

<sup>462</sup> Statement, 15 January 2010, page 6.

<sup>463</sup> JIC Assessment, 5 November 2003, ‘Iraq Security’.

**829.** When Mr Blair spoke to President Bush by video conference on 6 November, he commented that the question was “how quickly could we move to elections”.<sup>464</sup> Mr Blair thought the quicker the better, “but both the Iraqis and we needed to be able to handle it”.

**830.** Mr Blair commented that “with progress on infrastructure etc, we were now down to a specific problem of how to deal with a small group of terrorists”. Mr Blair suggested that some Sunni were “desperate to be on our side” and that infrastructure projects that would benefit the Sunni community should be completed.

**831.** Mr Richmond attended a meeting with Ambassador Bremer, General John Abizaid, Commander US Central Command (CENTCOM), and Gen Sanchez to discuss “Sunni strategy” the following day.<sup>465</sup>

**832.** At Ambassador Bremer’s request, Mr Richmond summarised the CPA’s work so far. Sunnis felt economically and politically excluded. The CPA was seeking to address this by allocating more money for job creation and quick impact projects, and by stepping up recruitment efforts for the Iraqi Civil Defence Corps (ICDC), police and army in Sunni communities. There were “no quick fixes”. The CPA had to reassure Sunni communities that their interests would be safeguarded, but that was difficult without clarity on the political and constitutional process.

**833.** Gen Abizaid agreed that there needed to be a long-term strategy, but said that he was more concerned with “the next few weeks – how to prevent the insurgency from growing”. He had met Sunni leaders in Mosul, and had come away with a clear message: “jobs and money”. There also needed to be more flexibility on de-Ba’athification.

**834.** Gen Abizaid went on to outline the “tough” military plans to tackle the insurgency, including in Fallujah. Mr Richmond warned that any military action had to be carefully targeted; “a carrot and stick approach had to leave room for the carrot”.

**835.** The AHMGIR agreed on 6 November that officials should continue to oppose the CPA’s privatisation policy.<sup>466</sup>

### Challenging the CPA’s privatisation plans

In mid-October, the CPA shared with the UK an early draft of an Order on Iraqi Ownership Transformation, which covered the privatisation of Iraqi State-Owned Enterprises (SOEs).<sup>467</sup> The Inquiry has not seen a copy of that draft.

<sup>464</sup> Letter Rycroft to Adams, 6 November 2003, ‘Iraq: Prime Minister’s Conversation with President Bush, 6 November’.

<sup>465</sup> Telegram 258 IraqRep to FCO London, 9 November 2003, ‘Iraq: Sunni Strategy Meeting with Bremer and Abizaid’.

<sup>466</sup> Minutes, 6 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>467</sup> Telegram 108 FCO London to IraqRep, 24 October 2003, ‘Iraq: Privatisation Order’.

Mr Huw Llewellyn, an FCO Legal Counsellor, advised the IPU on 22 October that he did not consider that there was a basis either under occupation law or resolution 1483 for the proposed Order.<sup>468</sup>

On 24 October, the IPU instructed UK officials in Baghdad and Washington to raise the UK's concerns on the draft Order with US interlocutors.<sup>469</sup> The IPU advised that privatisation was "the most fundamental economic policy difference we have with the US". The UK shared the US interest in building the Iraqi private sector, "but not to the extent of supporting privatisation of Iraqi state assets by the CPA". US enthusiasm for privatisation was not shared in Iraq. The UK believed:

- There were significant risks in privatising SOEs before a functioning private sector had been established. SOEs were unlikely to flourish, the Iraqi Government was unlikely to secure a good return, and unemployment could increase.
- Economic reform on the scale proposed had to be led by a representative Iraqi Government.

The UK also had significant legal concerns about the legitimacy of the draft Order and the CPA's authority to transfer ownership of Iraq state assets.

Sir Jeremy Greenstock, the Prime Minister's Special Representative on Iraq, called on Mr Tom Foley, CPA Director for Private Sector Development, on 29 October to pass on the UK's concerns.<sup>470</sup> Sir Jeremy reported to the FCO that Mr Foley had repeated that all privatisations would take place under a sovereign Iraqi Government. Sir Jeremy commented that Mr Foley's assurances contrasted with "other analysis" that UK officials had seen.

**836.** On 6 November, Congress approved the CPA's request for additional funds, allocating US\$18.4bn to the Iraq Relief and Reconstruction Fund (IRRF2).<sup>471</sup> The funds were available for two years. Congress had allocated US\$2.4bn to the Iraq Relief and Reconstruction Fund (IRRF1) in April 2003.

**837.** *Hard Lessons* recorded that Congress imposed greater controls on IRRF2 that it had on IRRF1.<sup>472</sup> Those included a requirement to provide, by 5 January 2004, a complete list of proposed projects. *Hard Lessons* highlighted the scale of the task facing the CPA:

"The CPA now had less than two months to compile a list of projects, develop a spend plan, and build an office [the PMO] to manage ... the largest foreign reconstruction program ... in US history."

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<sup>468</sup> Minute Llewellyn to Crompton, 22 October 2003, 'CPA Draft Order on Iraqi Ownership Transformation (Privatisation)'.

<sup>469</sup> Telegram 108 FCO London to IraqRep, 24 October 2003, 'Iraq: Privatisation Order'.

<sup>470</sup> Telegram 239 IraqRep to FCO London, 30 October 2003, 'FCO Telno 108 to IraqRep'.

<sup>471</sup> Emergency Wartime Supplemental Appropriations Act, 2003.

<sup>472</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**838.** By 6 November, the PMO consisted of a Director, Rear Admiral (retired) David Nash, two US Government employees and 13 contractors. Of the 100 US Government employees that Adm Nash requested, only eight arrived by January 2004.

**839.** Sir Nigel Sheinwald visited Iraq from 7 to 9 November.<sup>473</sup> He reported to Mr Blair on his return, describing two major problems in the political arena:

- the failure of the Governing Council to “get a grip” and “develop a political profile”; and
- continued CPA civilian weaknesses; strategic communications in particular remained a serious problem.

**840.** Sir Nigel also advised that he had “put down some markers” with Ambassador Bremer on the pace of privatisation, which Ambassador Bremer had accepted.

**841.** Sir Nigel separately reported that Ambassador Bremer had told him that he did not envisage any “major” privatisations under the CPA.<sup>474</sup>

### Responding to the new, shorter timetable for the transfer of sovereignty

**842.** A DFID team visited Iraq at the end of October to draw up plans for short-term support for public administration and the Governing Council.<sup>475</sup>

**843.** On 15 November, the Governing Council unveiled a timetable for the transfer of power to a transitional administration by 30 June 2004, at which point the CPA would be dissolved (see Section 9.2).<sup>476</sup>

**844.** The decision to transfer sovereignty to an Iraqi government earlier than had been expected had significant implications for the reconstruction effort. The UK identified the importance of reconstruction and in particular job creation programmes, in supporting reconciliation and the political transition process.

**845.** *Hard Lessons* described the effect of the new timetable on the CPA’s reconstruction effort:

“Reconstruction plans that had just been devised on a two-year timetable now had to shift, and the rush began to prepare Iraq’s Government to stand on its own in seven months.”<sup>477</sup>

<sup>473</sup> Minute Sheinwald to Prime Minister, 10 November 2003, ‘Visit to Iraq’.

<sup>474</sup> Minute Cannon to Owen, 12 November 2003, ‘Iraq: Economic Issues: Sir Nigel Sheinwald’s Visit to Baghdad’.

<sup>475</sup> Letter Malik to Rycroft, 20 October 2003, ‘Iraq: Public Administration’.

<sup>476</sup> Minute Figgures to CDS, 16 November 2003, ‘SBMR(IRAQ) Report 047 of 16 November 2003’.

<sup>477</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**846.** The two-year timetable was a reference to the period covered by IRRF2, which Congress had approved just over a week earlier.

**847.** Sir Hilary Synnott told the Inquiry that the whole idea of an early transfer to a transitional Iraqi Government came as a surprise to him:

“In the middle of November, much to our surprise, and in many – well, in some senses disappointment, it was decided that the CPA should wind up at the end of June, and I was due to leave ... [at] the end of January. It became clear to me a couple of months before that that the entire focus of Baghdad’s attention had shifted from trying to make something work into, ‘What are we going to do to run down?’”<sup>478</sup>

**848.** Mr Etherington described the effect of the decision in Wasit:

“The November 15 agreement abruptly turned [our] plans upside down. It arrived without warning ...

“... We understood the political reasons behind it all, but my overwhelming feeling at the time was of professional shame. Gone were our projections about training and capacity-building, our carefully thought-through project work, and our plans to nurture each of the Councils and steadily reform the branch ministries. We would run out of time ...”<sup>479</sup>

**849.** Mr Bearpark told the Inquiry:

“... most decisions were being made by default, what was possible and what wasn’t possible. But to the extent that decisions were being taken, my view was that they didn’t look particularly stupid and that some of the sillier parts of these strategic visions were just being quietly forgotten about ...

“I don’t think that the truncated timetable was an issue. I think the real issue was just that, by then, security was spiralling out of control ... The only aspect where the truncation had an impact ... was that it reopened the battle between the Department of Defense and the State Department, and ... the final three months of the CPA’s existence were just one permanent battleground as to who would handle the [US\$]18.4bn, and in what way, after the CPA was abolished.”<sup>480</sup>

**850.** Ambassador Bremer wrote in his memoir that he had discussed the implications of the new timetable for reconstruction with senior CPA staff on 16 November, the day after the announcement.<sup>481</sup> He had asked each CPA Senior Adviser to identify the most urgent tasks which had to be completed before the transfer of sovereignty, and advised them

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<sup>478</sup> Public hearing, 9 December 2009, page 47.

<sup>479</sup> Etherington M. *Revolt of the Tigris: The Al Sadr Uprising and the Governing of Iraq*. Hurst & Company, 2006.

<sup>480</sup> Public hearing, 6 July 2010, pages 86-87.

<sup>481</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

that the CPA would have to “move fast if ... projects were to have a useful impact in the short time left”.

**851.** Ambassador Bremer also wrote that, in a separate meeting on the same day, he had advised colleagues that the transfer of sovereignty meant that the CPA’s work to phase out subsidies would need to slow down.

**852.** Maj Gen Andrew Figgures, Senior British Military Representative, Iraq, considered the effect of the decision in his 16 November weekly report to Gen Walker:

“From a planning perspective, the acceleration of the political process has shifted the logic here from a position whereby the political process was dictated by achieving the necessary conditions (security, economy etc) to enable sovereignty transfer, to one where we will now be fighting to achieve the right conditions according to a political timetable. All lines of operation (CPA and CJTF7) will now require revision.”<sup>482</sup>

**853.** Mr Jim Drummond, DFID Director Iraq, visited Iraq from 16 to 20 November.<sup>483</sup> He reported to Mr Chakrabarti that there were opportunities for DFID to help with budget management, the Public Distribution System (the successor to the OFF programme), statistics, the political process, donor co-ordination and public administration. On public administration, Mr Drummond advised:

“All agree on the need to build the capacity of central Government. CPA advisers praise the competence and qualifications of individual Ministry staff, but there is a culture of central direction, outdated paper-based processes, and de-Ba’athification has left inexperienced staff in senior positions.

“With the 30 June deadline looming, Bremer wants to professionalise the Civil Service fast. He is keen to have UK help.”

**854.** Mr Drummond also reported that progress was being made with resolving the outstanding procedural issues on the World Bank and UN Trust Funds, and that he would discuss with the World Bank and UN “the prospects for spending, which will depend on [Iraqi] ministries’ capacity to put forward fundable proposals”.

### The closure of the Oil-for-Food (OFF) programme

The OFF programme closed on 21 November, in accordance with resolution 1483.<sup>484</sup>

Ministers were advised that responsibility for remaining activity had passed to the CPA and the Iraqi Ministry of Trade. It was not expected that there would be a threat to food supply.

<sup>482</sup> Minute Figgures to CDS, 16 November 2003, ‘SBMR(IRAQ) report 047 of 16 November 2003’.

<sup>483</sup> Letter Drummond to Chakrabarti, 24 November 2003, ‘Visit to Iraq’.

<sup>484</sup> Annotated Agenda, 27 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**855.** Sir Hilary Synnott told the 25 November Iraq Strategy Group (ISG) that the compression of the political timetable “made other parts of the process, including consultation, capacity building and infrastructure development, more difficult”.<sup>485</sup> He also advised that increased consent in the South could not be taken for granted.

**856.** President Bush visited the UK from 18 to 22 November.<sup>486</sup>

**857.** Before the visit, Mr Rycroft gave Mr Blair a copy of a paper by Sir Jeremy Greenstock entitled ‘Iraq: Security’, for discussion with President Bush (see Section 9.2).<sup>487</sup>

**858.** In the paper, Sir Jeremy argued that security must be the Coalition’s highest priority until the transition.<sup>488</sup> He then set out a number of areas that needed to be addressed, including:

**“Sunni strategy**

- *Sunni outreach remains critical even while pursuing crackdown on FRE [Former Regime Elements] activities in these areas.* Civic and economic development projects must be a priority. And we must help the IGC to sell the new political process in the Sunni heartlands.

**Economics**

- Absolute priority must be given to job creation ...

**Managing the transition/drawdown**

- On civilian side, *must not adopt mindset that June represents a cut off point.* Will have to stay engaged to assist the Iraqi Transitional Government find its feet. Need to start thinking now about how this should best be done.”

**859.** Mr Blair gave President Bush a slightly revised version of the paper.<sup>489</sup>

**860.** On 19 November, the Cabinet Office informed Ministers that a combination of effective lobbying by the UK in Washington and with the CPA, and similarly strong reservations from the US Treasury, had led the CPA’s plans to privatise SOEs to be “taken off the policy agenda”.<sup>490</sup> The UK would press for similar proposals with the potential for social upheaval to be postponed beyond the formation of the transitional government.

**861.** Dr Rice told Sir Nigel Sheinwald on 21 November that the US was reviewing the CPA’s reconstruction projects and that some aspects of economic policy, including

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<sup>485</sup> Minute Fergusson to Sheinwald, 26 November 2003, ‘Iraq Strategy Group’.

<sup>486</sup> *BBC News*, 18 November 2003, *Bush arrives for state visit*.

<sup>487</sup> Minute Rycroft to Prime Minister, 18 November 2003, ‘Bush Visit – Private Talks’.

<sup>488</sup> Paper Greenstock, 18 November 2003, ‘Iraq: Security’.

<sup>489</sup> Paper [Greenstock], 20 November 2003, ‘Iraq: Security’.

<sup>490</sup> Minute Dodd to Owen, 19 November 2003, ‘Iraq: Update for Ministers’ attaching Paper Cabinet Office, 19 November 2003, ‘Iraq: Update for Ministers’.



privatisation and monetising the food basket, would not be taken forward, to avoid handing the incoming transitional administration an unemployment problem.<sup>491</sup>

**862.** The Annotated Agenda for the 27 November meeting of the AHMGIR invited Ministers formally to reject the suggestion that the CPA should pursue radical economic reform.<sup>492</sup>

**863.** The AHMGIR agreed that the UK should advocate a CPA economic policy of capacity building and advice to Iraqi institutions rather than radical economic reform.<sup>493</sup>

**864.** The British Office in Baghdad offered an assessment of the state of Iraq's public administration on 4 December.<sup>494</sup> The "reconstruction" of Iraqi ministries appeared to be "progressing only slowly". Major problems included:

- Ministers' authority was unclear.
- Patchy de-Ba'athification had left many staff uncertain of their future and ministers uncertain of their staff's loyalty.
- Rationalisation of staffing and pay scales had been "slow to non-existent", leaving officials hanging around ministries with no real job.

**865.** The British Office in Baghdad commented that the new political timetable had only added to the uncertainty.

**866.** A second DFID team visited Iraq in early December, to develop longer-term programmes of support for public administration.<sup>495</sup>

**867.** Ambassador Bremer convened a "Commanders and Leaders" conference on 8 December, at which he instructed CPA staff "to come up with a minimum of US\$500m in 'quick-dispersing projects' that we could have under way by spring".<sup>496</sup> There was a political imperative in implementing projects as quickly as possible, so that the Iraqi people could see progress on the ground before the transfer of sovereignty.

**868.** Mr Etherington, who attended the conference, recorded in his memoir that Ambassador Bremer announced that the CPA would triple spending over the next three months to create jobs and cement political engagement.<sup>497</sup>

**869.** On 13 December, US forces captured former President Saddam Hussein.<sup>498</sup>

<sup>491</sup> Letter Rycroft to Adams, 21 November 2003, 'Iraq: Meeting with Condi Rice, 21 November'.

<sup>492</sup> Annotated Agenda, 27 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>493</sup> Minutes, 27 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>494</sup> Telegram 187 Baghdad to FCO London, 4 December 2003, 'Iraq/Ministry Reconstruction'.

<sup>495</sup> Letter Drummond to Chakrabarti, 24 November 2003, 'Visit to Iraq'.

<sup>496</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

<sup>497</sup> Etherington M, *Revolt of the Tigris: The Al Sadr Uprising and the Governing of Iraq*. Hurst & Company, 2006.

<sup>498</sup> *BBC News*, 14 December 2003, *Bremer's statement in full*.

**870.** The Annotated Agenda for the 15 December meeting of the AHMGIR reported that signals from the CPA on the desired pace and scope of economic reform before transition were “mixed”.<sup>499</sup> Some in the CPA had seen the accelerated political timetable as a reason to accelerate the pace of economic reform. The UK believed that reform over the next six months should be limited, but that did not mean inaction. The Coalition should focus on:

- building Iraqi capacity including in the budgeting system;
- encouraging the IFIs to engage; and
- preparatory work on “removing barriers and stimulating growth”, including debt relief, fuel price liberalisation and SOE reform.

**871.** Ministers agreed that approach.<sup>500</sup>

**872.** *Hard Lessons* recorded that the CPA’s progress towards free-market reforms stalled in the face of “disagreement within the Coalition’s ranks”, concern in the IMF and opposition from Iraqis.<sup>501</sup>

**873.** In his statement to the Inquiry, Sir Nicholas Macpherson highlighted the role that Treasury secondees to the CPA had played in successfully challenging “some proposed [CPA] policies that were not thought to be the right course of action – notably negotiating a wind-down on the policy of mass privatisation of Iraqi state assets”.<sup>502</sup>

**874.** Ambassador Bremer hosted a Campaign Review meeting in Baghdad on 18 December attended by senior US and UK civilian and military representatives including Sir Jeremy Greenstock.

**875.** Ambassador Bremer opened the meeting by stating that the capture of Saddam Hussein provided a huge opportunity.<sup>503</sup> He outlined the military, political and reconstruction action that was needed to exploit it. On reconstruction, the CPA would spend US\$400m over the next six months – three times the amount for the previous six-month period. Some 40 to 50 percent of that would be directed to Sunni areas.

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<sup>499</sup> Annotated Agenda, 18 December 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>500</sup> Minutes, 18 December 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>501</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>502</sup> Statement, 15 January 2010, page 6.

<sup>503</sup> Minute MA1/DCDS(C) to D/DCDS(C), 19 December 2003, ‘Record of Iraq Strategy Review Meeting – Baghdad 18 Dec 03’.

**876.** The Annotated Agenda for the 18 December meeting of the AHMGIR stated that the CPA was taking forward ideas for a National Reconciliation Strategy.<sup>504</sup> Following the capture of Saddam Hussein, this was:

“... a determined effort by the CPA and the Iraqi Interim Administration to engage Sunni leaders, alongside establishment of targeted job creation schemes and more flexible implementation of the de-Ba’athification policy.”

**877.** Also on 18 December, Mr James T Baker III, former US Secretary of State, and President Bush’s personal envoy on Iraqi debt, called on Mr Blair as part of a series of meetings with major creditors.<sup>505</sup> Mr Baker told Mr Blair that the US objective was to get up to 80 percent debt reduction for Iraq, though that might be “overly optimistic”. He agreed with Mr Blair’s proposal that debt reduction should be handled through the Paris Club (rather than bilaterally).

**878.** Section 10.3 describes the UK’s efforts to secure generous debt relief for Iraq through the Paris Club, based on its analysis that debt relief would:

- increase Iraq’s ability to fund its own reconstruction (and hence reduce the pressure on the UK to contribute to reconstruction);
- provide a means of sharing the burden of financing Iraq’s recovery (as most of Iraq’s debt was owed to non-combatant countries including Russia and France); and
- clear the way for multilateral lending to Iraq.

**879.** DFID approved the £3m Emergency Public Administration Project (EPAP) in late December.<sup>506</sup> The project aimed to improve policy-making, public administration and public financial management by providing technical support to key institutions at the centre of the Iraqi Government, including the Prime Minister’s Office and the Council of Ministers Secretariat (comparable to the UK Cabinet Office).<sup>507</sup> Technical support was provided by consultants from Adam Smith International Ltd.

**880.** The EPAP was the first of three DFID projects during the period covered by the Inquiry which aimed to improve Iraqi public administration.

**881.** Sir Jeremy Greenstock issued two reports at the turn of the year, a review of 2003 and a look ahead at the challenges for the final six months of Occupation.

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<sup>504</sup> Annotated Agenda, 18 December 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>505</sup> Minute Cannon to Bowman, 18 December 2003, ‘Iraqi Debt: Call on the Prime Minister by James Baker’.

<sup>506</sup> Paper DFID, 4 November 2009, ‘Iraq – DFID Timeline and Financial Commitments: 2003-2009’.

<sup>507</sup> Project Completion Report DFID, September 2005, ‘Emergency Public Administration Project (EPAP)’.

**882.** His review of 2003 assessed that the post-conflict administration had started badly, but that Ambassador Bremer had “picked it up”.<sup>508</sup> While political violence pervaded everything, and reconciliation should have been pursued earlier:

“... in stimulating the supply of essential services, in improving community law and order, in organising the remarkable currency exchange and in generating economic activity which is livelier than the statistics or the media show, Bremer has returned many of the components of a semi-normal life to most Iraqis. The majority can at least perceive that the opportunity to create a new life, and a new Iraq, might be worth investing in.”

**883.** On the CPA’s media effort, Sir Jeremy assessed that:

“... the prize for CPA ineptness ... has to go to the Iraqi Media Network, now re-christened Al Iraqiya. With billions to spend and the world’s most powerful media industry to draw from, the CPA has ... produced a mouse, then another mouse and finally, at end-year, a mouse. Subservience to Washington’s ... requirements and sheer dysfunctionality seem to have been the causes.”

**884.** In his look ahead to the end of Occupation, Sir Jeremy wrote that the Coalition faced a significant challenge as it prepared to transfer sovereignty.<sup>509</sup> In addition to the “violent opposition” and the fragility of the political process, the principal hurdles included:

- the very slow flow of donor money, including US money, for reconstruction;
- essential utilities and services being below target, leading to a loss of support and consent for the Coalition; and
- an unemployment rate close to 50 percent.

**885.** Sir Jeremy concluded that the situation was “poised”. To come out well, the Coalition needed “one more heavy investment of effort” in three areas: military forces; donor funding; and civilian staffing.

### UK concern over the CPA’s media operation

Mr Blair’s concern over the performance of the CPA’s media operation reached its peak at the end of 2003.

Mr Blair and President Bush spoke by video conference on 4 December 2003.<sup>510</sup> Mr Blair suggested that “those responsible” for slow progress on the media should be given until January to improve things. If there was no improvement, an outside media figure should

<sup>508</sup> Telegram 332 IraqRep to FCO London, 29 December 2003, ‘Post-Conflict Iraq: 2003 Review’.

<sup>509</sup> Telegram 337 IraqRep to FCO London, 1 January 2004, ‘Iraq: Six Final Months of Occupation’.

<sup>510</sup> Letter Cannon to Adams, 4 December 2003, ‘Iraq: Prime Minister’s Video-Conference with President Bush, 4 December’.

be brought in to take charge. The US would give up and hand over to the UK if this was not fixed by February.

Sir Jeremy Greenstock reported on 4 January 2003 that the CPA was making “yet another fresh start” on its media office.<sup>511</sup> Given those changes, there was currently no place for a senior British secondee.

Mr Blair and President Bush discussed progress on the media on 6 January.<sup>512</sup> Dr Rice had now taken over responsibility for Iraqi media from Secretary Rumsfeld and there was a bridging strategy to take the media through the next couple of months, while building up media capacity in Baghdad. Mr Blair regretted the low media profile of Governing Council members and Ministers, which meant that the public received information through religious and tribal leaders.

The meeting of the ISOG on the same day concluded that given the US lead in the media sector there was little scope for UK involvement.<sup>513</sup> The US was resisting the secondment of senior UK staff.

**886.** Mr Blair visited Basra to meet Coalition troops and staff in CPA(South) on 4 January. In advance of the visit, CPA(South) advised that:

“News in the South generally good, on security, politics and economy. But no room for complacency on any of these and much remains to be done if we are to play our part in securing an effective transition.”<sup>514</sup>

**887.** CPA(South) reported that delays caused by the CPA’s complex contracting procedures made it harder to “secure the level of visibility” for CPA activity that the UK and Iraqis wanted. Local expectations were high and the UK, boosted by steadily increasing numbers of professional staff in CPA(South), would need to work hard to meet them.

**888.** Mr Blair met Ambassador Bremer in Basra.<sup>515</sup> Ambassador Bremer said that he had re-examined economic priorities and intended to focus on job creation and essential services, in particular electricity. The CPA already planned to deliver 6,000MW of capacity by June 2004; he wanted to deliver 7,000MW. He confirmed that he would not liberalise energy prices, monetarise the food ration (polls showed that 90 percent of the public were opposed) or privatise SOEs, other than some small-scale management buy-outs. Those would be hard decisions for the next Government to take.

<sup>511</sup> Telegram 2 IraqRep to FCO London, 4 January 2004, ‘Iraq: Strategic Communications Office’.

<sup>512</sup> Letter Cannon to Adams, 6 January 2004, ‘Iraq: Prime Minister’s Video-Conference with President Bush, 6 January’.

<sup>513</sup> Letter Cabinet Office [junior official] to Sheinwald, 8 January 2004, ‘Iraq: Senior Officials Group’.

<sup>514</sup> Telegram 1 CPA Basra to FCO London, 2 January 2004, ‘Prime Minister’s Visit to Basra: Scen setter’.

<sup>515</sup> Letter Cannon to Owen, 5 January 2004, ‘Iraq: Prime Minister’s Meeting with Bremer, 4 January’.

**889.** Ambassador Bremer also said that Mr Richmond had been put in charge of the operational aspects of the CPA's "Sunni strategy". That included up to US\$250m in project funding.

**890.** Mr Cannon's record of the meeting asked for a note for Mr Blair on how the political process would develop through the transition, how and when the UN could best be involved, and what civil and military structures the UK envisaged being in place after the June transition.

**891.** The Annotated Agenda for the 22 January meeting of the AHMGIR stated that the introduction of a single, more secure and more conveniently denominated currency had been completed on 15 January:

"The exchange has been a success for Coalition economic reconstruction, and for the UK. There was significant UK input at all stages, from policy-making, to logistics and the information campaign, which underpinned a smooth process."<sup>516</sup>

**892.** On 22 January, Mr Straw's Private Secretary sent a paper to Mr Rycroft on how the political process would develop through the transition.<sup>517</sup> No.10 had requested the paper on 5 January.

**893.** The paper, entitled 'Iraq: The Next Six Months', identified four key UK objectives:

- a smooth transition of executive power on 1 July to a sovereign Iraqi transitional Government ...
- a security agreement which allows Multinational Forces the freedom they need to operate ...
- UN Security Council endorsement of the above and an expanded UN role;
- an improving economy and infrastructure that will maximise the prospects of a successful transition."

**894.** The paper stated that the CPA's Sunni outreach programme was gaining momentum, underpinned by job creation.

**895.** The paper briefly considered civilian structures after the transition. Following the "Afghanistan model", the FCO envisaged a "small but growing" UN office to co-ordinate international assistance and "underpin/lead" the constitutional process. Officials were developing costed options for British representation after transition; they anticipated the need for a large British Embassy in Baghdad and a smaller British Embassy Office in Basra, both with "significant DFID elements".

**896.** On economic reconstruction, the paper stated that the new timetable for the transfer of sovereignty had led to programmes with the potential for political unrest ("mass privatisation, removal of subsidies on food and energy") being dropped. The

<sup>516</sup> Annotated Agenda, 22 January 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>517</sup> Letter Owen to Rycroft, 22 January 2004, 'Iraq' attaching Paper, [undated], 'Iraq: The Next Six Months'.

UK's priorities over the next six months were to keep the CPA focused on job creation schemes and to build capacity in Iraqi ministries and institutions. The Treasury and DFID were providing support on budget execution and financial management.

**897.** The paper concluded that the UK's work in all areas "must be supported by continued progress on reconstruction". DFID were producing a paper on the links between the political process and reconstruction over the next year.

**898.** Mr Blair annotated the paper: "This is excellent and seems the right strategy".<sup>518</sup>

**899.** Also on 22 January, Sir Hilary offered proposals from Basra on a "post-30 June strategy" to maintain the benefits and momentum of CPA(South)'s work.<sup>519</sup> In his view, the priority was to manage CPA(South)'s US\$212m programme of work to completion (it had never been intended to complete by 30 June), using broadly the same management structures and (predominately British) personnel. The US would need to be persuaded to continue to provide accommodation and security, and to agree to a single international "Co-ordinator" for the South, "ideally but not essentially British". The UK would need to continue to provide broadly the same level of staffing in the South.

**900.** A bilateral UK programme should complement rather than "diminish" that priority effort.

**901.** An early decision on how the UK intended to work in the South after transition would enable the UK to influence US planning. Sir Hilary warned that the US might be planning to take over CPA(South)'s existing programme of the work. The US would be unlikely to be able to find replacement staff quickly and would have no experience of operating in the South; there was therefore a risk that the "majority of effort" would fail. A clear UK proposal might head off any such planning.

**902.** Sir Hilary advised that he had discussed the options with Sir Michael Jay and Gen Jackson during their recent visits.

**903.** The DFID paper on the links between the political process and reconstruction was tabled at the 30 January meeting of the ISG.<sup>520</sup>

**904.** The paper, which drew on comments from Sir Hilary Synnott, Mr Bearpark, the FCO and the Treasury, identified three potential flashpoints:

- Unemployment. 90 percent of demonstrations were about jobs or salaries. Estimates of unemployment ranged from 20 to 50 percent. Structural problems

<sup>518</sup> Manuscript comment Blair on Paper, [undated], 'Iraq: The Next Six Months'.

<sup>519</sup> Telegram 9 CPA(South) to FCO London, 22 January 2004, 'South Iraq after 30 June'.

<sup>520</sup> Letter Drummond to Dodd, 29 January 2004, 'Iraq: Reconstruction and the Political Process' attaching Paper DFID, 'Iraq: Reconstruction and the Political Process'; Minute Dodd to Sheinwald, 2 February 2004, 'Iraq Strategy Group'.

meant it would be difficult to increase employment significantly by the end of the year, but donors and the CPA should:

- a. maximise use of local labour, as already stipulated in US reconstruction contracts; DFID would aim to do the same;
  - b. provide finance for small business;
  - c. fund employment creation schemes; USAID programmes should be targeted at “higher risk” locations; DFID would consider options for the south with CPA (South) in February;
  - d. ensure pension payments were up to date.
- Disruption to the supply of cheap (subsidised) fuel.
  - Electricity supply. Demand was estimated at 5,700MW and rising rapidly, supply at about 4,000MW. It was likely the US would not meet its target of 6,000MW by June 2004. Outside the South there was little the UK could do to help. In the South, the Essential Services Plan would help to ensure demand was met. The priority should be to implement US-funded programmes and encourage Japanese investment in the power sector, recognising that little would be delivered by the middle of 2004. DFID would consider in February whether further UK investment was needed in the South.

**905.** The paper proposed that, in the run-up to transition, the UK should give priority to improving Iraqi economic policy making, preparing Iraqi ministries for the decisions they would need to make on subsidies and state-owned enterprises, and determining the structure that would succeed the CPA. It warned that the UK should be prepared for three or four months of Iraqi Government inaction after 30 June, which might produce rising levels of discontent.

**906.** The paper was endorsed by the ISG.<sup>521</sup>

## DFID's Interim Country Assistance Plan

**907.** DFID circulated a first draft of its Interim Country Assistance Plan (I-CAP) for Iraq to members of ISOG for comment on 19 December 2003.<sup>522</sup>

**908.** A “final draft” was discussed at the 20 January 2004 meeting of ISOG, before being submitted to the 22 January meeting of the AHMGIR.<sup>523</sup> At the ISOG meeting, an FCO official expressed concern about the apparent exclusion of Kurdish areas from DFID's plans.

**909.** ISOG agreed that, on the assumption that the AHMGIR agreed to the publication of the I-CAP, the FCO and the Cabinet Office would “help sanitise the paper”.

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<sup>521</sup> Minute Dodd to Sheinwald, 2 February 2004, ‘Iraq Strategy Group’.

<sup>522</sup> Letter Drummond to Bowen, 19 December 2004, ‘Iraq: DFID Country Assistance Plan’.

<sup>523</sup> Minute Dodd to Buck, 21 January 2004, ‘Iraq: Senior Officials Group’.



**910.** Before the AHMGIR meeting, Mr Drummond advised Mr Benn that discussion at ISOG had focused on concerns about benefits for communities outside the “Shia South” and cautiousness about DFID’s intention to publish the I-CAP.<sup>524</sup> MOD officials had endorsed the draft I-CAP “but for the wrong reasons”.

**911.** Mr Drummond suggested that at the AHMGIR meeting, Mr Benn should highlight the need for DFID to focus its effort:

“We have listened and as a result of consultation are willing to engage in oil sector governance to help ensure transparency in the use of oil revenues. But we will lose effectiveness if we spread ourselves too thinly. Our poverty agenda directs us to the South. Other communities can benefit through [the UN and World Bank Trust Funds] ... and the political and NGO funds.”

**912.** Mr Hoon’s briefing for the AHMGIR meeting recommended that he should endorse DFID’s draft I-CAP.<sup>525</sup> Because of DFID’s focus on poverty reduction, the draft I-CAP was heavily directed towards the South: “This is welcome in terms of the additional force protection benefits for UK military, although they [DFID] may not thank us for pointing this out.”

**913.** The draft I-CAP defined the UK’s “development goal” as “an inclusive, Iraqi led reconstruction process that brings sustained benefits to all citizens, particularly the poor and vulnerable”.<sup>526</sup> It set out three “strategic objectives”:

- to promote rapid, sustainable and equitable economic growth;
- to encourage effective and accountable governance; and
- to promote social and political cohesion and stability.

**914.** To achieve those objectives, DFID would work at three levels:

- internationally, to improve the effectiveness of aid, including by disbursing a “significant amount” through the UN and World Bank Trust Funds and encouraging others to do the same, and by helping multilateral organisations, including the IMF and World Bank, to engage;
- nationally, to support policies and reforms which benefited the poor, promoted economic reform, strengthened public administration capacity and justice, and promoted social cohesion and stability; and
- in southern Iraq, to help reduce poverty and restore the South’s links with the centre so that it could benefit from national programmes; this would include work on infrastructure and job creation, regional media and political participation.

<sup>524</sup> Minute Drummond to Malik, 21 January 2004, ‘Iraq: Ministerial’.

<sup>525</sup> Minute [MOD junior official] to APS/Secretary of State [MOD], 21 January 2004, ‘Ad Hoc Ministerial Group on Iraq Rehabilitation: 22 January meeting’.

<sup>526</sup> Paper DFID, [undated], ‘Iraq: Interim Country Assistance Plan’.

**915.** The draft I-CAP stated that the UK had pledged £544m at the Madrid Donors Conference. Channelling DFID resources through the World Bank and UN Trust Funds, which had proved effective in Afghanistan, should reduce administrative costs and promote donor co-ordination. The (unspecified) “remainder” of DFID’s funds would be used for bilateral programmes.

**916.** The I-CAP re-stated DFID guidance that progress against a CAP should be assessed annually, and that a CAP should be subject to a “major review” every three or four years. It also stated that, given the rapidly changing situation in Iraq, it would need a “substantial” review after one year.

**917.** The draft I-CAP did not offer an annual budget for DFID’s Iraq programme, for the three strategic objectives, or for the three levels of activity.

**918.** The I-CAP was published in February.<sup>527</sup> Three changes had been made from the final draft submitted to the 22 January meeting of the AHMGIR:

- Risks were recast as assumptions. For example, the risk that the security situation would not improve become an assumption that it would.
- The section on security included the statement that there were signs that security was improving.
- The section on lessons no longer included the caveat that DFID’s knowledge of Iraq was limited.

**919.** Sir Hilary Synnott’s posting as Head of CPA(South) ended at the end of January 2004. He was succeeded by Mr Patrick Nixon, former British Ambassador in Abu Dhabi.

**920.** Sir Hilary sent his valedictory telegram to the FCO on 26 January.<sup>528</sup> His comments on the political process and overall progress in Iraq are described in Section 9.2. Sir Hilary also reflected on the state of CPA(South) when he arrived in July 2003, and his efforts to secure additional staff and resources:

“The UK’s pre-planning fell short of making practical dispositions, and political direction of resources was complicated by deep differences at Cabinet level.

...

“We borrowed computers from the Americans and scrounged Kuwaiti mobiles from where we could. None were available through the FCO. DFID were generous with sat phones and laptops to their contracted staff ... London asked for frequent reporting. I sent it over an unclassified and temperamental Yahoo link ... All this was several months after the end of the conflict and remained like this for several months more ...

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<sup>527</sup> Department for International Development, *Iraq: Interim Country Assistance Plan*, February 2004.

<sup>528</sup> Telegram 10 Basra to FCO London, 26 January 2004, ‘Basra Valedictory’.

“A bid for 37 additional and expert staff ... was endorsed by Ministers immediately ... but staff on the ground were saddened by the absence of replacements for staff whose contracts expired after three or six months, and because by early January, 18 of the 37 new staff had still not arrived.

“It was fortunate that both the Danish and Italian Governments chose the South in which to concentrate their contributions to the Coalition’s efforts. For some months we had more officials here from these countries – 13 each – than from the UK.”

**921.** Sir Hilary commented on his request for 37 additional staff in his evidence to the Inquiry:

“I was sent the record of the Ad Hoc Ministerial Committee [of 28 August] ... and it was recorded there that Synnott should be provided with everything he thought was necessary. That, to my mind, clearly came from Number 10 ... The difficulty, however, was turning that political imperative into reality.

“To me, there was a distinct absence of machinery to make things happen, the translation from policy to practice. Otherwise it became hope.”<sup>529</sup>

**922.** The deployment of UK civilian personnel is considered in more detail in Section 15.1.

**923.** Sir Hilary paid a farewell call on Mr Straw on 11 February.<sup>530</sup> Sir Hilary told Mr Straw that he had been frustrated at the length of time it had taken the FCO to deploy people and provide secure communications. The FCO’s response had compared unfavourably with that of other departments.

**924.** The FCO’s response to that criticism is described in Section 15.1.

**925.** Sir Hilary described progress on the Essential Services Plan (which had been agreed in September) in his memoir:

“The [Plan] become one of the highlights of the Coalition’s reconstruction activity in the South. Its concentration on small-scale projects rendered it doable and allowed for flexibility if obstacles should arise, which of course they did. It proved feasible to proceed with and protect small projects, even in a deteriorating security environment. And, since local people could readily see that they would benefit from the projects’ completion, they actively helped maintain security ...”<sup>531</sup>

<sup>529</sup> Public hearing, 9 December 2009, pages 15 and 45.

<sup>530</sup> Minute Owen to PS/PUS [FCO], 12 February 2004, ‘FCO Response to Iraq’.

<sup>531</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain’s Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

**926.** Sir Hilary contrasted progress on the Essential Services Plan with progress on larger infrastructure projects:

“By January ... the deteriorating security environment and the prospect that the CPA would be wound up in less than six months had all but destroyed the momentum of the bigger, Baghdad-led projects.”

### Lobbying for US reconstruction contracts

UK Government lobbying on behalf of UK business intensified in early 2004, in anticipation of the US contracts that would be funded from the US\$18.4bn Iraq Relief and Reconstruction Fund (IRRF2) and against a background of growing press and Parliamentary criticism that UK companies were at a disadvantage in bidding for US-funded contracts. Section 10.3 describes the UK Government's support for UK business in detail.

The 20 January 2004 meeting of the ISOG concluded that the UK needed a “proper campaign plan” involving Ministers and the British Embassy Washington, targeting the next tranche of US-funded contracts that would be awarded by the US Program Management Office (PMO) in March.<sup>532</sup>

UK Trade and Investment (UKTI) submitted a paper on UK access to US-funded reconstruction contracts to the 22 January meeting of the AHMGIR.<sup>533</sup> UKTI assessed that UK companies had good access to most US-funded contracts, but had achieved only limited success so far. The recent award of two US-funded oil contracts to US companies (bids with significant UK components had not been successful, despite lobbying by Ministers) suggested that the UK needed to take a “stronger and more active political line” in Washington to lobby for UK commercial interests.

Mr Mike O'Brien, FCO Parliamentary Under Secretary of State circulated a core script for a lobbying campaign targeting the US to Mr Straw, Ms Hewitt, Mr Boateng, Mr Benn and senior officials on 9 February.<sup>534</sup> The core script highlighted the strengths of UK industry and expressed the hope that UK companies would be given the opportunity to display those strengths in the reconstruction process.

In his covering note, Mr O'Brien stated that UK companies assessed that US procurement procedures were “essentially fair”, were not critical of the UK Government's support, but were convinced that there was now a window of opportunity to press the US. Mr O'Brien stated that all Ministers needed to ensure that the US was “in no doubt about the political importance we attach to UK firms being seen to contribute actively to the reconstruction process”.

Mr Straw wrote to US Secretary of State Colin Powell on 17 February, expressing the UK's disappointment that UK companies had not secured either of the oil infrastructure rehabilitation contracts, expressing the UK's hope that UK companies would play a

<sup>532</sup> Record, 20 January 2004, Iraq Senior Officials Group meeting.

<sup>533</sup> Annotated Agenda, 21 January 2004, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper UKTI, 20 January 2004, 'Access to US-funded Reconstruction Contracts'.

<sup>534</sup> Minute O'Brien to Foreign Secretary, 9 February 2004, [untitled] attaching Briefing, [undated], 'UK Bids for CPA Program Management Office Prime Contracts'.

significant role in Iraq's reconstruction, and highlighting in general terms the capability of UK companies.<sup>535</sup>

Sir Nigel Sheinwald wrote to Dr Rice on 19 February, in similar terms.<sup>536</sup>

Mr Blair wrote to President Bush on 5 March, identifying some of the UK companies bidding for PMO contracts and highlighting in general terms the expertise of UK companies.<sup>537</sup>

The Annotated Agenda for the 18 March meeting of the AHMGIR reported that following a campaign of high-level lobbying, UK companies had "achieved success" in the latest round of US reconstruction contracting.<sup>538</sup> Three project management contracts, with a total value of up to US\$80m, had been awarded to consortia with significant UK components and two design and build construction contracts, with a total value of up to US\$1.1bn, had been awarded to consortia with significant UK components. It was not possible at this stage to calculate the exact value to UK companies of those contracts.

Ministers were advised on 2 April that consortia with significant UK components had secured three further design and build contracts, with a total value of US\$1.6bn.<sup>539</sup>

**927.** The FCO sent No.10 an update on efforts to improve the CPA's media operation and the Iraqi Media Network (recently re-branded as Al Iraqiya) on 11 February.<sup>540</sup>

**928.** The FCO advised that the CPA still lacked a fully developed, overarching communications strategy but did have strategies for specific areas of activity including the political process. Mr Rob Tappan had been brought in from the US State Department to try to develop an overarching communications strategy and a further 30 US staff would arrive shortly, bringing the CPA's Strategic Communications team to around 100. However, little thought had been given to whether these additions were necessary or even desirable: "Manpower is flowing without a clear plan to harness it."

**929.** There were four UK press officers in CPA(Baghdad), two in CPA(South), and one each in Basra, Wasit and Kirkuk. The US had not responded to the UK's offer of a senior UK press officer.

**930.** The FCO concluded:

"IraqRep [Sir Jeremy Greenstock] advises that we will not achieve anything by adding further UK press officers to an already overpopulated, and undermanaged, operation. Nor does IraqRep believe there is any mileage in trying again to insert a senior British communications expert into the [CPA's] Strategic Communications team: this is Tappan's role and the Americans are likely to resist UK involvement in this area, which they see more and more narrowly in terms of US image and

<sup>535</sup> Letter Straw to Powell, 17 February 2004, [untitled].

<sup>536</sup> Letter Sheinwald to Rice, 19 February 2004, 'Iraq: Contracts'.

<sup>537</sup> Letter Blair to Bush, 5 March 2004, [untitled].

<sup>538</sup> Annotated Agenda, 17 March 2004, Cabinet Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>539</sup> Letter Dodd to Owen, 2 April 2004, 'Iraq: Update' attaching Paper Cabinet Office, 2 April 2004, 'Iraq: Update'.

<sup>540</sup> Letter Owen to Cannon, 11 February 2004, 'Iraq: Media and Communications'.

domestic electoral politics. Despite Bush's throw away line to the Prime Minister in December (that he would hand over the communications operation to us if it had not been sorted out by now), Condi Rice will not admit failure; Bremer would resist strongly; and Bush will not in fact hand us a baton which could be of such political importance to him.

"So we must make the best of a bad job. The work our press officers are doing on the development and implementation of the different [CPA] sectoral strategies, and our assistance to IMN [Iraqi Media Network/Al Iraqiya], are the most valuable contributions we can make."

**931.** The FCO paper was passed to Mr Blair on 12 February, under a covering note from Mr Cannon.<sup>541</sup> Mr Cannon commented:

"... our resources cannot match those of the Americans. Things at last seem to be moving in the right direction ... So we recommend that we continue to support the US effort rather than taking over full responsibility for the media strategy. Do you agree?"

**932.** Mr Blair commented on this recommendation: "Yes but at the end of Feb I want an update and if necessary, will move in."<sup>542</sup>

**933.** The FCO provided No.10 with a further update on efforts to improve the CPA's media operation and Al Iraqiya on 1 March.<sup>543</sup> The CPA now had a tighter grip, and was undertaking more strategic planning. The FCO concluded:

"There remains a lot of ground to make up, and the focus is still heavily on the domestic US audience. But things are moving in the right direction, and more systemic thought is being given to the Iraqi audience."

**934.** Mr Cannon wrote to the FCO on 10 March:

"As you know, the Prime Minister wants to improve the presentation of Iraq policy in the UK and international media. He would like us to work for more broad and positive coverage of Iraq ..."<sup>544</sup>

Mr Cannon listed a number of actions to improve the presentation of Iraq policy, and reported that Mr Blair considered that it could best be delivered by a short-term strengthening of the No.10 Press Office.

**935.** Mr Cannon's letter did not respond to the issues raised in the FCO's 1 March update regarding the CPA's media and communications effort.

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<sup>541</sup> Minute Cannon to Blair, 12 February 2004, 'Iraq: Media and Communications'.

<sup>542</sup> Manuscript comment Blair to Cannon on Minute Cannon to Blair, 12 February 2004, 'Iraq: Media and Communications'.

<sup>543</sup> Letter Owen to Cannon, 1 March 2004, 'Iraq: Media and Communication'.

<sup>544</sup> Letter Cannon to Owen, 10 March 2004, 'Iraq: Media and Communications'.

## Planning and preparing for the transfer of sovereignty

**936.** The 12 February meeting of the AHMGIR considered an FCO paper entitled 'UK Representation in Iraq Post-Transition'.<sup>545</sup>

**937.** In the paper, the FCO set out proposals for an Embassy in Baghdad, a Consulate General in Basra and a representative in the North.<sup>546</sup> The FCO also suggested that the UK needed to consider how international assistance in the South should be co-ordinated after CPA(South) closed on 30 June.

**938.** The AHMGIR agreed the shape of British representation and tasked officials to consider the practicalities, and requested a paper on co-ordination of the international effort in the South, for discussion at its next meeting.

**939.** Sir Hilary Synnott paid a farewell call on Mr Blair on 17 February.<sup>547</sup> Sir Hilary told Mr Blair that reconstruction was the key to maintaining consent in the South. Reconstruction projects had a long lead-time but were now kicking in. Political transition and the dismantling of CPA(South) could lead to a loss of momentum and civil unrest. Sir Hilary's particular worry was the portfolio of projects conceived and initiated by the UK but funded by the US. Those could suffer if the US focused on new projects and DFID on UK-funded projects. He hoped there would still be a "locally co-ordinated (and ideally UK-led) international effort" in the South. Mr Blair agreed on the need to maintain momentum on reconstruction.

**940.** Sir Hilary told the Inquiry that Mr Blair's response to his concerns had been "non-committal".<sup>548</sup>

**941.** Mr Blair told the Inquiry that, although anxiety and concern were occasionally flagged up very strongly in Sir Hilary's reports from Basra, when Sir Hilary left Iraq he was, on balance, optimistic rather than pessimistic.<sup>549</sup>

**942.** Sir Hilary's response to Mr Blair's assessment is described later in this Section.

**943.** Mr Nixon offered his first impressions from Basra on 24 February (after some three weeks in post as Head of CPA(South)).<sup>550</sup> He described himself as "guardedly optimistic". Economic activity was increasing and there was an air of excitement around the political process.

**944.** CPA(South) now had "almost a full house of specialist experts" and was working closely with MND(SE). By the end of February, CPA(South) would have committed US\$280m to more than 1,300 projects designed to create jobs, make a quick and visible

<sup>545</sup> Minutes, 12 February 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>546</sup> Paper FCO, [undated], 'Future UK Representation in Iraq'.

<sup>547</sup> Letter Cannon to Owen, 17 February 2004, 'Iraq: Sir Hilary Synnott'.

<sup>548</sup> Letter Synnott to Aldred, 24 January 2011, [untitled].

<sup>549</sup> Public hearing, 21 January 2011, page 135.

<sup>550</sup> Telegram 19 CPA Basra to FCO London, 24 February 2004, 'First Impressions from Basra'.

impact and be completed by 30 June. Even with more funds and more staff, CPA(South) could not complete many more.

**945.** CPA(South) was focusing on:

- completing its own portfolio of projects;
- advising and supporting (when requested) new programmes funded by other donors including the PMO (which had earmarked US\$2.9bn for the South) and Japan (which had earmarked US\$1.5bn for the South);
- easing the return of the UN and other donors to the South; and
- strengthening the capacity of the Iraqi Government.

**946.** Mr Nixon stated that it was essential that some CPA(South) experts stayed through the transition, to continue that work.

**947.** The report was passed to Mr Blair on 24 February.<sup>551</sup>

### UK contributions to the World Bank and UN Trust Funds

DFID contributed £65m (later increased to £70m) to the World Bank and UN Trust Funds at the end of February.

International donors met in the United Arab Emirates from 28 to 29 February for the first International Reconstruction Financing Facility for Iraq (IRFFI) Donor Committee Meeting.<sup>552</sup> One objective of the meeting was to agree contributions to the World Bank and UN Trust Funds, within the pledges announced at the Madrid Donors Conference in October 2003.

At the meeting, donors committed approximately US\$1bn to the two Funds, with the largest contributions from Japan (US\$500m) and the EU (US\$190m).<sup>553</sup> DFID committed £65m (US\$120); it did not specify how that contribution was to be allocated between the World Bank and UN Funds.

On 12 March, Mr Drummond sought Mr Benn's agreement to increase that contribution to £70m.<sup>554</sup> Mr Drummond advised that the original contribution of £65m represented the balance of funds that DFID had available for Iraq as the end of the UK financial year 2003/04 approached. It was now clear that a further £5m was available.

Mr Drummond advised that the UK's contribution should be transferred to the Trust Funds by the end of March:

“We cannot be certain how long it will take to disburse money from the Trust Funds, but both the [World] Bank and the UN need money up front before they can start programmes. Considering the security constraints both the World Bank and the

<sup>551</sup> Manuscript comment Rycroft on Telegram 19 CPA Basra to FCO London, 24 February 2004, 'First Impressions from Basra'.

<sup>552</sup> International Reconstruction Fund Facility for Iraq, 29 February 2004, *Chair's Statement for the Abu Dhabi Donor Committee Meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) February 29, 2004*.

<sup>553</sup> Minute Drummond to Malik, 12 March 2004, 'International Reconstruction Financing Facility For Iraq (IRFFI)'.

<sup>554</sup> Minute Drummond to Malik, 12 March 2004, 'International Reconstruction Financing Facility For Iraq (IRFFI)'.



UN have moved fast to design programmes ... Although other donors have committed money, little has been paid in. We ought to show leadership by putting our money in soon.”

The UK transferred £40m to the World Bank Trust Fund and £30m to the UN Trust Fund at the end of March.<sup>555</sup>

**948.** The Annotated Agenda for the 1 March meeting of the AHMGIR stated that modified versions of the Development Fund for Iraq (DFI) and International Advisory and Monitoring Board (IAMB) should be retained after the transition, in order to “ensure accountability and transparency”.<sup>556</sup> Otherwise, there was a substantial risk of mismanagement of oil revenues. The arrangement could also ensure that Iraqi assets remained immune from claims. The US supported the idea of a modified DFI.

**949.** Such an arrangement might be seen in Iraq as a constraint on sovereignty, but conversely many Iraqis might welcome arrangements which enhanced transparency and restricted the ability of transitional Ministers to mismanage oil revenues.

**950.** The Annotated Agenda also stated that the DFI currently held US\$8.8bn and paid for 95 percent of the Iraqi budget. In addition, “substantial DFI funds had been spent off-budget on the approval of the CPA with intermittent Iraqi representation”.

**951.** The Annotated Agenda did not contain any further detail on the “off-budget” disbursement of DFI funds.

**952.** The AHMGIR agreed that the UK should press for the establishment of transparent and accountable arrangements for the management of oil and other Iraqi revenues through the transition period.<sup>557</sup>

**953.** Sir Jon Cunliffe told the Inquiry that, although the US and the CPA were “very resistant to external monitoring and external accountability” undertaken by the IAMB:

“When the Iraqi Government itself arrived, I think both Occupying Powers decided there was joint interest in having transparency, accountability and control [over oil revenues] and, indeed, I think that the US were with us in pushing for the interim Iraqi Government to take on the DFI with all of its monitoring machinery.”<sup>558</sup>

**954.** Section 10.3 describes the operation of the DFI, and considers the UK’s scrutiny of disbursements from the DFI.

**955.** The Transitional Administrative Law (TAL), which defined the transition to a fully sovereign Iraqi Interim Government (IIG) by 30 June 2004 and an Iraqi Transitional

<sup>555</sup> Paper DFID, 4 November 2009, ‘Iraq – DFID Timeline and Financial Commitments: 2003-2009’.

<sup>556</sup> Annotated Agenda, 1 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>557</sup> Minutes, 1 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>558</sup> Public hearing, 9 July 2010, pages 38 and 39.

Government (ITG) by 31 January 2005, was agreed by Governing Council on 1 March (see Section 9.2).

**956.** The 8 March meeting of the ISOG was advised that the UK civilian presence in Basra after the transition could not yet be defined, pending PMO decisions.<sup>559</sup>

**957.** The ISOG was also advised that the UK was opposed to US plans for a “Transition Board”, reporting to the US Ambassador, to co-ordinate international advisers in Iraqi ministries after the transition. More broadly, the UK was against any “US-led post-Occupation structures whether they be in the political, security or development fields, whatever the extent of de facto US influence”.

**958.** Sir Jeremy Greenstock called on Mr Blair on 11 March.<sup>560</sup> Sir Jeremy reported that the flow of US funds remained slow, even to the security forces. In the electricity sector, the gap between supply and demand would widen over the summer. Economic progress in poorer districts remained slow and unemployment was high. The South, starting from a lower baseline, was “more contented”, but managing expectations was crucial.

**959.** Sir Jeremy thought that presentation of policy to Iraqis had improved, although much ground had been lost to Al Arabiya and Al Jazeera. CPA communications remained fixated on the US audience.

## UK Transition Plan for Iraq

**960.** The 12 March meeting of the ISG discussed a draft Transition Plan for Iraq produced by the FCO.<sup>561</sup> The ISG concluded that:

“One of our main concerns was what the CPA would turn into. A gap in programmes between the end of CPA and the formation of the interim Government would cause problems, not least for security. Continuity was therefore essential and capacity needed to be maintained. The answer was for [international] advisers to shift into [Iraqi] ministries ...”

**961.** The 18 March meeting of the AHMGIR considered a revised version of the Transition Plan.<sup>562</sup>

**962.** The Plan stated that the transition had to be seen as a clear transfer of power, although the new Iraqi Government would still need wide-ranging assistance. Issues included:

- Establishing a transparent and robust framework for managing Iraqi funds (including oil revenues). The CPA was drafting an organic Budget Law, which UK officials were lobbying to improve. Higher than expected oil revenues

<sup>559</sup> Minute Dodd to Crompton, 8 March 2004, ‘Iraq: Senior Officials Meeting’.

<sup>560</sup> Letter Cannon to Owen, 11 March 2004, ‘Iraq: Sir Jeremy Greenstock’s Call on the Prime Minister’.

<sup>561</sup> Minute Dodd to Sheinwald, 15 March 2003, ‘Iraq Strategy Group’.

<sup>562</sup> Annotated Agenda, 18 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper FCO, 17 March 2004, ‘Iraq: Transition Plan’.

meant restrictions on funds reaching ministries would be the result of “imperfect procedures” rather than lack of money.

- Supporting Iraqi ministries. The US/CPA was still considering the form and extent of its support after 30 June. DFID programmes to build the capacity of the Ministries of Finance, Planning, and Municipalities and Public Works had begun. DFID might retain “a few” of the current CPA advisers in Baghdad, but most would be withdrawn by 30 June.
- CPA(South) transition. DFID would maintain a Development Section in the British Embassy Office Basra and a team of consultants working with the four southern governorates. A visit by DFID officials later in the month would:
  - develop recommendations for DFID staffing in the British Embassy Office Basra;
  - agree with the PMO any requirements for support from CPA(South) infrastructure specialists; and
  - assess whether any other CPA(South) staff should be retained, and if so in what organisation.

**963.** The Annotated Agenda for the AHMGIR meeting reported that the CPA envisaged that international advisers would become part of a new agency, run by a US national and reporting jointly to the Iraqi Prime Minister and the US Ambassador.<sup>563</sup> The US saw this as a way of retaining US control after the transition. The UK would continue to argue against this; the Coalition needed to establish Iraqi authority and be seen to do so.

**964.** The AHMGIR agreed the Transition Plan but asked for a Transition Plan for the South, identifying where the UK needed to lobby the US.<sup>564</sup>

**965.** Mr Benn visited Baghdad and Basra from 22 to 23 March.<sup>565</sup> He reported to Mr Blair:

“There is steady progress, but the challenges remain immense ...

“The economy is picking up well. Reconstruction is starting to produce visible results ...

“Success is bringing new challenges. Maintaining infrastructure will require difficult political decisions for the new Government such as charging more for electricity and fuel. Donor money may add to inflationary pressures ... I encouraged Bremer to promote transparency in the use of the oil revenues after 30 June. We need the IMF and World Bank to be fully involved in this, and other economic management issues, as soon as possible.”

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<sup>563</sup> Annotated Agenda, 17 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>564</sup> Minutes, 18 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>565</sup> Letter Benn to Blair, 24 March 2004, [untitled].

**966.** Mr Benn also reported that there were tensions within the US system over how much control they should try to retain after transition.

**967.** Mr Drummond, who accompanied Mr Benn, produced a separate report for DFID colleagues only.<sup>566</sup> He reported that:

- Ambassador Bremer had not seen how, politically, the Coalition could retain control over Iraq's oil revenues after transition. The Ambassador had agreed with Mr Benn on the importance of managing those revenues transparently.
- Interlocutors in the Ministries of Finance, Development Co-operation and Industries had all favoured bilateral projects over the World Bank and UN Trust Funds, because of the high UN administration fee and the lack of UN and World Bank presence in Baghdad. Mr Benn and Mr Drummond had set out the merits of the Trust Funds, including low transaction costs.
- On the future of CPA(South), Mr Benn and Mr Drummond had been "pressed on the need for some continuity on the handover of authority, both by CPA(South) staff and Adm Nash. We said that from 1 July things had to be different with the Iraqis in the lead supported by well-targeted advice; the big money for reconstruction would come from the [US] Supplemental, the Japanese and the Trust Funds."
- Mr Benn and Mr Drummond had also been lobbied by MND(SE) on funding for QIPs. MND(SE) had said that their budget for QIPs would be almost exhausted by 30 June, but UK forces could still play a valuable role after transition. Mr Drummond reported: "We made no commitment ... It may be that MOD can resource this from elsewhere. QIPs are not high on my list of priorities."

### Basra International Airport

Ministers first considered reopening Basra International Airport (BIA) to commercial traffic in December 2003.<sup>567</sup> In a joint paper, the Cabinet Office and IPU advised that reopening the airport would signal a return to normality and help stimulate reconstruction. The threat to aviation in Iraq was severe, however, and as an Occupying Power the UK would have overall liability for commercial flights.

Ministers agreed in January 2004 that BIA should not be reopened to commercial flights before there was an Iraqi Government in place (at the end of June 2004), at which time the decision (and direct liability) would be theirs.<sup>568</sup>

Ministers revisited the question in April 2004, following a CPA request that CPA-chartered cargo and passenger aircraft should be allowed to use BIA, and agreed that CPA-

<sup>566</sup> Minute Drummond to DFID [junior official], 24 March 2004, 'Iraq Visit'.

<sup>567</sup> Letter Dodd to Owen, 23 December 2003, 'Iraq: Basra Airport' attaching Paper Cabinet Office/IPU, 23 December 2004, 'Iraq: Commercial Passenger Flights into Basra Airport'.

<sup>568</sup> Letter Dodd to Owen, 2 April 2004, 'Iraq: Opening of Basra Airport to Commercial Traffic' attaching Paper IPU/Cabinet Office, 2 April 2004, 'Iraq: Opening of Basra Airport to Commercial Traffic'.

chartered cargo flights but not passenger flights should be allowed to use BIA (as the liability arising from passenger flights was so much greater).<sup>569</sup>

Ministers also agreed that UK forces should continue to provide air traffic control and other services to cargo flights after the transition, when in direct support of reconstruction and humanitarian activities.

BIA reopened to commercial flights on 1 January 2005, following the agreement of a Memorandum of Understanding between the UK and Iraqi Governments indemnifying the UK Government and its agents against all claims arising from the provision of services by UK personnel at BIA (see Section 10.2).

**968.** Section 9.2 describes the deterioration in the security situation in Iraq from late March, as the Coalition faced Muqtada al-Sadr’s Shia militia, Sunni insurgents in Fallujah and a growing threat from Al Qaida.

**969.** Sir Jeremy Greenstock concluded his six-month tour in Iraq at the end of March and was succeeded by Mr David Richmond. Sir Jeremy’s valedictory telegram assessed that the Coalition might not deserve the “fragile state of semi-progress” in Iraq:

“The preparations for the post-conflict stage were abject; wrong analysis, wrong people ... And the volume of resources required on the ground, especially in military terms, was and continues to be misjudged.”<sup>570</sup>

**970.** Sir Jeremy listed the Coalition’s major failings, including “complacency and constant overselling of the true picture”.

**971.** In early April, US forces began operations in Fallujah. Section 9.2 describes UK concerns about the operation and its effect on Sunni opinion.

**972.** On 7 April, Mr Blair received an (unattributed) report on media and communications in Iraq.<sup>571</sup> It assessed that the Iraqi media was “free, but also chaotic”: 190 newspapers, 25 TV stations and 70 radio broadcasters operated with almost no regulation. Where satellite television was available, Iraqi citizens preferred it to terrestrial television or the print media; where it was not, Al Iraqiya dominated. The major satellite channels were Al Arabiya and Al Jazeera. Although Al Iraqiya was improving, “the abiding impression is too little, too late”. It could not hope to rival regional satellite channels in the near future, but in the long term had the potential to become a credible public service broadcaster. Rumour and word of mouth remained disproportionately powerful.

**973.** Mr Blair commented: “This is simply inadequate. We must grip this.”<sup>572</sup>

<sup>569</sup> Letter Cabinet Office [junior official] to Owen, 9 August 2004, ‘Iraq: Basra Airport’.

<sup>570</sup> Telegram 109 IraqRep to FCO London, 26 March 2004, ‘Iraq Valedictory: Six Months in the Cauldron’.

<sup>571</sup> Report, [undated], ‘Iraqi Media: Snapshot’.

<sup>572</sup> Manuscript comment Blair on Report, [undated], ‘Iraqi Media: Snapshot’.

**974.** On 8 April, the FCO tightened their travel advice, to read: “Even the most essential travel to Iraq should be delayed, if possible.”<sup>573</sup> Companies involved in reconstruction were encouraged to “ensure that they have made the appropriate security arrangements”.

**975.** On 14 April, the UK company Foster Wheeler Energy Ltd, which had been contracted by the PMO to provide oil and gas project management services in Iraq, informed the PMO that it intended to postpone the deployment of its staff to Iraq, citing the 8 April FCO travel advice.<sup>574</sup>

**976.** Section 10.3 describes the exchanges between Foster Wheeler, the PMO and the UK Government, leading to the (delayed) deployment of Foster Wheeler staff to Iraq from late May.

**977.** Also on 14 April, the JIC assessed that kidnapping was now being used as a tactic by anti-Coalition forces.<sup>575</sup> The kidnappings, together with the rise in attacks on foreigners over the past month, were persuading “many” foreign contractors to leave Iraq. That could affect the Coalition’s reconstruction effort and, in the short term, precipitate power shortages and further public discontent.

**978.** On 15 April, Sir Nigel Sheinwald sent Dr Rice a “personal paper” from Mr Blair for President Bush, which Mr Blair hoped the President might read before their conversation the next day.<sup>576</sup> Mr Blair summarised his strategy for Iraq as:

- local engagement by Iraqis to sort the Sunni and MAS [Muqtada al-Sadr] problems, with Fallujah critical;
- backed by a specific set of offers to deal with grievances;
- backed by an Iraq-wide campaign of communication, led and fronted by Iraqis”.

**979.** Mr Blair acknowledged Dr Rice’s “heroic efforts” and recent improvements in the CPA’s communications work. But:

“My point, simply, is that this issue [communications] is not just important; it is crucial. It is at the core of whether we succeed or fail ... We need a wholly more professional and organised response. We can’t leave the field to Al Jazeera and Al Arabiya as the satellite channels watched by the people; or fail to use the terrestrial channels adequately.”

**980.** Mr Blair and President Bush met in Washington on 16 April.<sup>577</sup> Mr Blair stressed to President Bush the importance of standing firm, setting out a clear political vision and implementing it competently.

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<sup>573</sup> FCO Travel Advice for Iraq, 8 April 2004.

<sup>574</sup> Letter O’Connell to CPA/PMO, 14 April 2004, ‘Oil Sector Program Management Contractor’.

<sup>575</sup> JIC Assessment, 14 April 2004, ‘Iraq Security’.

<sup>576</sup> Letter Sheinwald to Rice, 15 April 2004, [untitled], attaching Note [Blair to Bush], [undated], ‘Note’.

<sup>577</sup> Letter Rycroft to Adams, 16 April 2004, ‘Iraq: Prime Minister’s Meeting with President Bush’.

**981.** Mr Blair said that there needed to be a clear strategy for addressing the grievances of both the Sunnis and the Al Sadr supporters, including tackling poverty in Sadr City. He added that “large amounts of money were available, but very little was being spent”.

**982.** Mr Blair again emphasised the importance of better communication with the Iraqi population. After the transition, the Iraqi Government would have increased responsibility in this area and would need real help from the US and UK.

**983.** No specific actions were agreed.

**984.** On 18 April, Mr Richmond reported from Baghdad on the challenges of “designing and executing post-conflict reconstruction in what effectively remains a conflict zone”.<sup>578</sup> Drawing on discussions with Mr Bearpark, Adm Nash and USAID, Mr Richmond advised that there was:

“Probably less activity on the ground than CPA are prepared to admit, as aid agencies and contractors withdraw personnel to safer areas pending decisions to re-engage. Main foreign contractors operating at 50 – 75 percent staffing levels. Some NGOs well below that.”

**985.** Washington had directed the CPA to accelerate spending, and specifically to “ameliorate conditions in Fallujah”. Of the US\$18.4bn committed to IRRF2:

- US\$8.8bn was available now for construction projects, of which US\$1.5bn had been “obligated” (contracts issued); and
- US\$5.8bn was available for non-construction projects, of which US\$770m had been obligated.

**986.** The problem was translating those figures into work on the ground against the timetable required by the political process.

**987.** The PMO’s aim was to be in a position to deliver once security conditions allowed. Adm Nash was advising contractors to bring in the minimum necessary number of staff to “establish a bridgehead”. He had also created incentives for contractors to sub-contract to lower-profile and local companies.

**988.** Mr Richmond advised that the UK needed to consider the advice it gave to UK development partners and contractors regarding travel to Iraq, and in particular to consider the divergence of advice between the US and UK. The US Government issued stricter guidance on travel than the UK, but did not seem to enforce it. The UK’s travel advice gave him “no option but to counsel caution” to UK contractors. The problems experienced by Foster Wheeler encapsulated the dilemma: “Risk coming out or losing out.”

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<sup>578</sup> Telegram 173 IraqRep to FCO London, 18 April 2004, ‘Iraq: Effects of the Recent Crisis on Reconstruction’.

**989.** Sir Nigel Sheinwald wrote to the FCO on 19 April, advising that Mr Blair was concerned by the picture painted by the briefing he had received in advance of his meeting with President Bush.<sup>579</sup> Mr Blair believed that a renewed effort was needed by the CPA and by departments in London. He had asked for 15 urgent reports, which should be:

“... unvarnished accounts of where things stand, with as much local colour as possible; and with clear recommendations, where appropriate, for how to improve things.”

**990.** The accounts included:

- the media;
- reconstruction, spending and disbursement;
- everyday life;
- women’s groups; and
- schools, universities and hospitals.

**991.** Sir Nigel advised that Mr Blair was prepared to put specific points directly to President Bush, and suggested that Mr Richmond might draw the reports together into a weekly or fortnightly “hit list of priorities”.

**992.** The 20 April meeting of the ISOG was advised that Mr Blair considered that progress needed to be accelerated in all areas of reconstruction in order to make transition a success.<sup>580</sup> He had decided to follow developments more closely himself. Sir Nigel had therefore commissioned a number of reports and recommendations for improvements “to be written by the practitioners in Iraq themselves”.

**993.** On 21 April, Sir Kevin Tebbit, MOD Permanent Under Secretary, wrote to Sir Andrew Turnbull, the Cabinet Secretary, and Permanent Secretaries to set out the arrangements for looking after civilian personnel in Iraq.<sup>581</sup> Detailed contingency plans for the evacuation of UK staff in Bagdad were being drawn up, as “a matter of prudent planning: the security situation in Iraq is tense, but no worse in most places than it has been previously”.

**994.** Referring to concerns expressed by Permanent Secretaries at their recent Wednesday morning meeting, that the withdrawal of civilian contractors could undermine the reconstruction effort and hence exacerbate the security situation, Sir Kevin advised:

“The impact on reconstruction would indeed be serious if contractors began to withdraw, although there is little evidence that this is happening on a large scale ... You may have seen David Richmond’s telegram of 18 April which assess

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<sup>579</sup> Letter Sheinwald to Adams, 19 April 2004, ‘Iraq’.

<sup>580</sup> Letter Cabinet Office [junior official] to Buck, 23 April 2004, ‘Iraq: Senior Officials Group’.

<sup>581</sup> Letter Tebbit to Turnbull, 21 April 2004, [untitled].



that most [companies] are operating at 75 percent of their capacity pending security developments. No UK or US funded contractor has withdrawn for Iraq.”

**995.** Sir Kevin outlined the actions the CPA was taking to enable contractors to operate.

### UK Transition Plan for Southern Iraq

**996.** Mr Drummond circulated a report to members of ISOG on 16 April, setting out DFID’s plan to support Iraq after transition.<sup>582</sup> In Baghdad, DFID planned to maintain its support for key ministries (including the Ministries of Finance, Planning and Development Co-ordination, and Municipalities and Public Works) at around the same level, at up to 20 advisers.

**997.** The ‘UK Transition Plan for Southern Iraq’, which had been commissioned by the AHMGIR on 18 March, was submitted to the 22 April meeting of the AHMGIR.<sup>583</sup>

**998.** The Annotated Agenda for the meeting reported that security had deteriorated “markedly” over Easter (9-12 April) and the risks to UK civilian staff in Iraq were high.<sup>584</sup> The deployment of civilians had been reviewed and, as a temporary measure, new deployments to Baghdad had been suspended and staff unable operate in the current security environment had been withdrawn.

**999.** The AHMGIR approved the recommendation that all other staff should remain in Iraq subject to continuing review.<sup>585</sup>

**1000.** The ‘UK Transition Plan for Southern Iraq’ considered the security, political, reconstruction and representational aspects of transition.<sup>586</sup> It stated that the UK’s focus should on “helping the Iraqis to take responsibility for their own future.” The main challenges would be:

- maintaining security;
- helping Iraqi citizens in the four Southern governorates to participate in the national political process; and
- promoting economic recovery including job creation, and rebuilding Governorates and local institutions.

**1001.** The Plan was based on the explicit assumption that the security situation would “calm down”.

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<sup>582</sup> Letter Drummond to Buck, 16 April 2004, ‘Iraq: The Transition’ attaching Report DFID, April 2004, ‘DFID Programme Requirements in Southern Iraq from July 2004’.

<sup>583</sup> Annotated Agenda, 21 April 2004, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper, [undated], ‘UK Transition Plan for Southern Iraq’.

<sup>584</sup> Annotated Agenda, 21 April 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>585</sup> Minutes, 22 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>586</sup> Paper, [undated], ‘UK Transition Plan for Southern Iraq’.

**1002.** The Plan stated that the UK hoped that the US would retain a strong presence in Basra, but the US had not yet finalised its plans.

**1003.** On reconstruction in the South, the Plan reported that good progress had been made “given the constraints”. Power production had improved sharply, the ports were operating above pre-war capacity and the private sector was active, particularly in Basra. The next phase would require major new capital investment, and the creation of more jobs.

**1004.** DFID’s projects to rehabilitate government buildings and restore power, fuel and water services in the South<sup>587</sup> should be complete by 30 June, provided the security situation remained stable. A phased exit was planned for the 50 DFID-funded staff and contractors in CPA(South) and for the UK secondees supported by the FCO, beginning in mid-June.

**1005.** Other donors and the private sector would provide the main funds for infrastructure after the transition. The US, through its PMO, would be by far the largest donor and was likely to spend at least US\$3bn in the South over the next three years. The PMO was expected to take over the CPA(South) compound and base up to 300 staff there; those would almost all be “contractors with little or no knowledge of the local context”. The PMO had shared some reconstruction plans with the Iraqi Government, but “only briefly so far”. Japan, Denmark and Italy were the other major bilateral donors in the South. Unless security improved dramatically, it was unlikely that the UN would make a substantial impact.

**1006.** The capacity of Iraqi central and local authorities, which would assume full executive authority once CPA(South) was dissolved, was “mixed”. The PMO was not currently incorporating capacity-building elements into its programmes. RTI, a consultancy company funded by USAID to build local government capacity, was withdrawing most of its staff on security grounds.

**1007.** DFID had agreed in principle to provide up to £25m over two years for the Governorates Capacity Building Project (GCBP) to strengthen planning, financial management and other core functions in the four southern governorates. The project was scheduled to start in May.

**1008.** DFID would also fund an eight-person Transitional Advisory Team<sup>588</sup> to work with the PMO, to help “bridge the local knowledge gap” between PMO contractors and Iraqi technical directorates. The team would be deployed for six months in the first instance.

**1009.** The Plan stated that the South would also benefit from DFID’s national programmes.

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<sup>587</sup> A reference to the Essential Services Plan.

<sup>588</sup> Subsequently renamed the Technical Advisory Team.

**1010.** The possibility of a “reconstruction gap”, which had been identified by Sir Hilary Synnott on 22 January, was not explicitly acknowledged in the Plan.

**1011.** In a briefing for Mr Straw (as Chair of the AHMGIR), the Cabinet Office warned that DFID’s intended focus on capacity-building, leaving capital and large-scale rehabilitation projects to other donors, might be controversial:

“This formation is fine in principle but depends on other donor funds, particularly from the US Supplemental [IRRF2], being disbursed on time. US contracts are being let now but if there are delays in implementation due to security or bureaucracy there could be a reconstruction gap in the South this autumn.”<sup>589</sup>

**1012.** Ministers endorsed the Plan and agreed that the UK should press the US to reach decisions on its future support in southern Iraq.<sup>590</sup>

## Reports from Iraq

**1013.** On 23 April, Mr Blair received the first edition of all 15 “unvarnished accounts” commissioned by Sir Nigel Sheinwald on 19 April, plus an additional four reports covering essential services, oil, next year’s budget and Ambassador Bremer’s recent speech in Tikrit.<sup>591</sup>

**1014.** The reports relating to the political situation and security are described in Section 9.2; the account relating to Security Sector Reform is described in Section 12.1.

**1015.** The report on the Iraqi media identified three key challenges (tackling the pan-Arab satellite channels, improving Al Iraqiya, and strengthening the capacity of the Iraqi Government) and set out how the UK should address them.<sup>592</sup>

**1016.** The report on reconstruction was Mr Richmond’s 18 April report on the challenges of designing and executing reconstruction in a conflict zone.<sup>593</sup>

**1017.** The report on essential services stated that delivery of most services was poor.<sup>594</sup> A reliable electricity supply remained key to the delivery of other services but the Coalition continued to fail to meet public expectations; widely publicised CPA targets for electricity generation for summer 2003 had not been met and it was unlikely that the CPA’s target of 6,000MW by 30 June 2004 would be achieved. Food, sanitation and fuel were less problematic. Food supplies had been temporarily interrupted by recent fighting, but there was no evidence of significant food shortages. There was some

<sup>589</sup> Annotated Agenda, 21 April 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>590</sup> Minutes, 22 April 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>591</sup> Minute Rycroft to Prime Minister, 23 April 2004, ‘15 Reports on Iraq’.

<sup>592</sup> Paper, [undated], ‘Media in Iraq’.

<sup>593</sup> Telegram 173 IraqRep to FCO London, 18 April 2004, ‘Iraq: Effects of the Recent Crisis on Reconstruction’.

<sup>594</sup> Telegram 180 IraqRep to FCO London, 20 April 2004, ‘Iraq: Essential Services (Excluding Oil)’.

confidence that water supply to major cities would not be interrupted even in times of peak demand.

**1018.** The report on gender issues stated that this was a “major emphasis” for the CPA and a “personal focus” for Ambassador Bremer.<sup>595</sup> Civil society organisations were developing strongly, though political organisations were only now emerging. Women had taken on visible leadership roles in Iraq and the TAL set a goal of 25 percent representation in the Transitional Government. Funding was not an issue; the key challenges were security and opportunities in education and employment.

**1019.** The report on “schools, universities, hospitals” (from Mr Chris Segar, Head of the British Office Baghdad) stated that the Ministries of Health and Education were both regarded as having good political and strategic leadership and competent management staff, and had established “normal” relationships with international donors.<sup>596</sup> US funds were available for infrastructure; UK support was provided through the World Bank and UN Trust Funds. Nearly all the 240 hospitals in Iraq were functioning, though many faced (unspecified) difficulties. Drug supply continued to fall below Iraqi expectations, but drugs were more widely available, especially to the poor, than before the conflict. 2,300 schools had re-opened in time for the new school year (on 1 October 2003), staffed and equipped with textbooks and materials.

**1020.** The report on oil sector development stated that production was rising ahead of schedule, but future capacity was threatened by an early, mistaken focus on repair rather than modernisation and development.<sup>597</sup> Discussions between the Ministry of Oil and the CPA on raising gasoline prices continued, with the Ministry avoiding any commitment on a politically contentious issue. Discussions on restructuring the oil industry “remained mired in politics”. There were persistent but unconfirmed allegations of corruption in both the State Oil and Marketing Organisation and the Ministry of Oil. Ambassador Bremer had recently appointed a new Inspector General to the Ministry, but after 30 June his capacity to monitor financial flows would be tested. International oil companies were watching carefully, but wanted to see greater security and a stable regulatory and investment environment before investing.

**1021.** On 26 April, Mr Rycroft set out Mr Blair’s response to the reports in a letter to Mr Straw’s Private Secretary, copies of which were sent to DFID, the MOD, the Cabinet Office and UK officials in Iraq and the US:

“The conclusion the Prime Minister draws ... is that the problem we face is not multi-faceted. It is simple: security. It casts its shadow over everything from oil production to education to the political process.”<sup>598</sup>

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<sup>595</sup> Telegram 188 IraqRep to FCO London, 22 April 2004, ‘Iraq: Gender Issues’.

<sup>596</sup> Telegram 035 IraqRep to FCO London, 22 April 2004, ‘Iraq: Health and Education’.

<sup>597</sup> Telegram 183 IraqRep to FCO London, 21 April 2004, ‘Iraq: Oil Sector Development’.

<sup>598</sup> Letter Rycroft to Owen, 26 April 2004, ‘Iraq: 15 Reports for the Prime Minister’.

**1022.** Mr Rycroft outlined how Mr Blair thought existing activity could be improved, including by:

- “(a) Iraqi-isation. We must do whatever it takes to get the ICDC [Iraqi Civil Defence Corps] and Iraqi police into shape. Every main road has to be guarded, oil refineries rebuilt, electricity generation on target ...
- (b) Communications. There needs to be a concerted campaign in Iraq and abroad to explain what the security problem actually is, and how it is a deliberate attempt to prevent the Iraqi people from getting the benefit of what we are doing. We need to provide top security for Al Iraqiya’s reporters and staff; strengthen the Coalition’s Arabic media capability; improve the coordination between military and political to give real time information to spokesmen; and vastly improve the Iraqi Government’s communications capability.
- (c) Reconstruction spending. There is a damaging gap between ‘obligated’ funds and actual spending. Any suspension of ... projects must be temporary. We need urgent clarity and agreement on what will replace the CPA outside Baghdad after 30 June.”

**1023.** On the same day, Sir Nigel Sheinwald sent Dr Rice another Note from Mr Blair, and asked her to show it to President Bush before their video conference the next day.<sup>599</sup> In his Note, Mr Blair set out the detailed analysis that Mr Rycroft had communicated across Whitehall, including the need for:

- “a vast uplift in the Iraqi Government’s capability to communicate”;
- “a massive, concerted campaign” to explain the security problem: Mr Blair said that he would “like to send a couple of people I really trust to give a proper sense of what could be done”; and
- “a ‘whatever it takes’ attitude to ensure that obligated funds were spent”.

**1024.** Mr Blair spoke to President Bush on 27 April.<sup>600</sup> The discussion focused on security, the presence of Coalition Forces after the transition, and the political process. They discussed the need for the reconstruction process to continue while the Coalition resolved the security situation. Mr Blair also highlighted the importance of continuing to make progress on the Iraqi media.

**1025.** In mid-April, the US had requested that the UK send additional troops to Iraq (see Section 9.2).

<sup>599</sup> Letter Sheinwald to Rice, 26 April 2004, [untitled], attaching Note [Blair to Bush], [undated], ‘Note’.

<sup>600</sup> Letter Quarrey to Owen, 27 April 2004, ‘Prime Minister’s VTC with Bush, 27 April: Iraq’.

**1026.** Mr Hoon's Private Secretary wrote to Mr Rycroft with "initial advice" on the US proposal on 29 April.<sup>601</sup> The letter reflected Mr Hoon's view that:

"... any significant increase in our military commitment in Iraq would need to be considered in the context of the whole cross-Government effort ... if we were to take on Najaf and Qadisiyah we would need FCO and DFID to help ensure that acceptable arrangements are in place on the CPA (and post-CPA) side."

**1027.** In late April, allegations of abuse by Coalition soldiers in Abu Ghraib prison become public. Section 9.2 describes the effect of those and other allegations of abuse.

**1028.** Major General Andrew Stewart, GOC MND(SE) at that time, was one of several witnesses who told the Inquiry that the pictures of Abu Ghraib had had a "significant effect" on MND(SE), where the public began turning against Coalition Forces.<sup>602</sup>

**1029.** Mr Drummond and Mr Mark Lowcock, DFID Director General Corporate Performance and Knowledge Sharing, visited Iraq from 27 to 30 April.<sup>603</sup> They reported that, while the security situation had deteriorated, there were encouraging signs of progress on the economy. The foundations of a market economy had been laid, including through the currency exchange, but the reforms were "only half done"; fuel and utility price subsidies had not been reduced and the Public Distribution System for food had not been reformed. They concluded that:

"... whether Iraq will remain a single resource (oil) economy with the potential for a small elite to recapture the revenue or broaden out into a modern market economy is still to play for."

**1030.** Mr Drummond and Mr Lowcock also reported that the DFID programme was focused on building the capacity of the Iraqi Government in Baghdad and the South. Most DFID funding for reconstruction was flowing through the World Bank and UN Trust Funds, "thereby encouraging both to engage fully in Iraq". Mr Drummond and Mr Lowcock commented that that seemed right.

**1031.** Mr Richmond reported by telegram on 30 April that security remained the "key threat" to development and reconstruction:

"The PMO remains optimistic about project implementation but others are sceptical. NGOs report many international staff out of the country; USAID are still below full strength, with few staff outside Baghdad, and the PMO reports at least some pull out/pull back by key construction companies including Bechtel, Siemens and possibly GE [General Electric]."<sup>604</sup>

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<sup>601</sup> Letter Baker to Rycroft, 29 April 2004, 'Iraq: UK Response to US Approaches'.

<sup>602</sup> Public hearing, 9 December 2009, page 72.

<sup>603</sup> Minute Drummond and Lowcock to Private Secretary [Benn], 30 April 2004, 'Iraq Visit Report'.

<sup>604</sup> Telegram 205 IraqRep to FCO London, 30 April 2004, 'Iraq: Reconstruction, Development and Essential Services'.

**1032.** Mr Richmond reported that Mr Drummond and Mr Lowcock had pressed CPA and US officials on US transition plans, but key decisions had not yet been made. That lack of clarity was making it difficult for the UK and others to plan their reconstruction efforts beyond the transition, which was delaying implementation.

**1033.** Mr Richmond offered his view on 2 May, as part of a DFID/Treasury exercise, on whether unblocking funding streams would improve the security situation.<sup>605</sup> He advised that his answer was:

“For now ... probably no – given absorptive capacity and the security conditions.”

**1034.** Mr Richmond continued:

“A disaffected, unemployed Tikriti can be bought for a few dollars to launch an attack on a member of the Coalition. It has passed no one by that project planning, fund disbursement and employment generation might help direct the Tikriti’s efforts to more productive ends. There was a physical cash flow problem in the first quarter of 2004 which meant that even monthly salaries were being delayed. Those have been largely unblocked.”

**1035.** Mr Richmond highlighted the recent approval by the CPA of a “seven cities” initiative, which would rapidly inject up to US\$30m into each of seven areas which posed significant security problems in order to increase employment. A “new but refreshing” condition of approval had been the existence of a robust monitoring and evaluation programme, on which DFID and USAID had provided advice.

**1036.** Mr Richmond concluded:

“In the immediate term, therefore, disbursing significant extra funds into projects is not the key issue. Indeed, to do so risks exacerbating a growing concern about inadequate quality control of proposals which can lead to wastage of resources and corruption. More thought must also be given to how to meet the additional running costs ... created by capital/project expenditure ...”

**1037.** Mr Richmond also reported that:

“CPA statistical analysis does not show a correlation between areas of highest unemployment and violence. Promoting employment in and directing projects to specific trouble spots will not produce immediate results. Longer-term, effective distribution of funding is therefore required.”

**1038.** Mr Richmond reported by telegram on 4 May that US intentions regarding international advisers had been misunderstood.<sup>606</sup> Some 200, mainly US, advisers would remain after the transition. They would not be “running the Government” but providing

<sup>605</sup> Telegram 207 IraqRep to FCO London, 2 May 2004, ‘Iraqi Economy: Does Expenditure Need Unblocking?’.

<sup>606</sup> Telegram 211 IraqRep to FCO London, 4 May 2004, ‘Iraq: What Should be Different After 30 June?’.

advice, and mainly on technical rather than policy issues. They would only serve as long as their Iraqi Minister wanted them to.

**1039.** The main conclusions of the US transition planning process were formalised on 11 May in US National Security Presidential Directive 36.<sup>607</sup> *Hard Lessons* summarised those conclusions:

- After the dissolution of the CPA, the US Secretary of State would be responsible for all activities in Iraq, except for military operations and the development of the Iraqi Security Forces (ISF).
- Two new organisations would be established to manage the US reconstruction programme (taking over the mission of the PMO). The Iraq Reconstruction and Management Office (IRMO) would provide technical assistance to Iraqi ministries and the Project and Contracting Office (PCO) would provide procurement and project management support for the US Supplemental (IRRF2).
- 13 of the 17 CPA provincial offices would be closed. Basra was one of the four that would remain.

**1040.** The Inquiry has seen no indications that Ministers or senior officials were briefed on the Directive, or the key changes it described, until July.

**1041.** Mr Richmond and Mr Sawers met Ambassador Bremer in Baghdad on 6 May.<sup>608</sup> Mr Richmond reported by telegram that Mr Sawers had expressed concern that the CPA would not meet its targets for basic services. Ambassador Bremer replied that it should get “within shouting distance” of its 6,000MW target for power generation. Sewage was a particular problem, “they were shovelling it off the streets in Sadr City”. Ambassador Bremer also commented:

“If we could even get security back to October/November 2003 levels, then effective reconstruction would be possible.”

**1042.** On the same day, the AHMGIR was advised that reconstruction had been delayed by the downturn in security, adding to Iraqi frustration with the Coalition’s performance.<sup>609</sup> In Baghdad, UK reconstruction staff had only been able to move outside the Green Zone sporadically, and hardened accommodation was in short supply. Staff numbers had been “thinned slightly” as a result. CPA(South) staff had been unable to travel for nearly a week. Despite that, reconstruction was continuing. During April, 120 projects worth US\$37m had been contracted, including clearance of rubbish and road building. Those should provide employment for 17,000 people and many would have a quick and visible impact.

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<sup>607</sup> National Security Presidential Directive, 11 May 2004, ‘United States Government Operations in Iraq’.

<sup>608</sup> Telegram 217 IraqRep to FCO London, 6 May 2004, ‘Iraq: Sawers’ Meeting with Bremer’.

<sup>609</sup> Annotated Agenda, 6 May 2004, Ad Hoc Group on Iraq Rehabilitation meeting.



**1043.** The AHMGIR was also advised that the disbursement of reconstruction funds was “progressing steadily”, with security and absorptive capacity the key constraints. Work was “well advanced” to ensure rapid disbursement of US funds by the PMO, and through the World Bank and UN Trust Funds.

**1044.** Ministers were invited to, and did, note this “positive progress”.<sup>610</sup>

**1045.** The 11 May meeting of the ISOG discussed Mr Nixon’s concern (first expressed in his first impressions report from Basra at the end of February) that there would be a gap in reconstruction activity in the South between the end of the CPA and the launch of major infrastructure projects in August.<sup>611</sup> The number of UK reconstruction staff would also fall from 51 to seven after the transition.

**1046.** A DFID official said that DFID believed that PMO programmes would come on stream in time, and that DFID had programmes that bridged the transition period.

**1047.** Mr Richmond reported on 13 May that recent attacks on Iraq’s power infrastructure indicated that the “saboteurs” had a co-ordinated plan to squeeze fuel supplies to Baghdad’s power plants as summer approached.<sup>612</sup> Parts of Baghdad had experienced a 48 hour blackout. MNF-I Commanders had been tasked to refocus patrolling on the most important infrastructure sites. The Iraqi Facilities Protection Service, which was just beginning to take shape, had also been retasked.

**1048.** The 19 May meeting of the ISOG considered a DFID paper on reconstruction funding and activity in the South after the transition.<sup>613</sup> The paper stated that the main external sources of funding for reconstruction in the South after the transition would be the PMO, the World Bank and UN Trust Funds, the Japanese, and DFID. Funding from these sources would:

“... take some time to begin to show real impact in terms of improved services (probably around 4-6 months), although some job creation should come sooner.”

**1049.** In the interim, although the CPA would be dissolved on 30 June, a significant number of CPA-administered/DFI-funded projects would continue beyond that date. DFID was recruiting a “residual’ CPA team” to ensure that those projects could continue (although it was not yet clear who would have legal authority to manage those projects after 30 June).

**1050.** DFID reported that the PMO had stated that, by the time those CPA/DFI projects completed in late August/early September, many of its contractors would have established themselves in Basra and new job opportunities should be starting to emerge.

<sup>610</sup> Annotated Agenda, 6 May 2004, Ad Hoc Group on Iraq Rehabilitation meeting; Minutes, 6 May 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>611</sup> Letter Cabinet Office [junior official] to Buck, 13 May 2004, ‘Iraq: Senior Officials Group’.

<sup>612</sup> Telegram 232 IraqRep to FCO London, 13 May 2004, ‘Infrastructure Security and Reconstruction’.

<sup>613</sup> Paper DFID, May 2004, ‘Reconstruction funding and activity in Southern Iraq post transition’.

**1051.** The “residual’ CPA team” would become the Project Continuity Team (PCT). Their work is described later in this Section.

**1052.** The ISOG judged that the paper offered a “satisfactory account”, but asked DFID to liaise with Mr Nixon to ensure his concerns had been fully answered.<sup>614</sup>

**1053.** On 18 May, Sir Nigel Sheinwald sent Dr Rice a Note from Mr Blair for President Bush, in advance of their regular video conference two days later.<sup>615</sup>

**1054.** Mr Blair wrote that the coming few weeks were the last chance to move things into place before the new Iraqi Government took power, and proposed a timetable for the political process. He also proposed:

- better protection of oil and power installations; and
- more help for Al Iraqiya and high-quality media support for the new Iraqi Prime Minister.

**1055.** In their video conference on 20 May, Mr Blair and President Bush discussed the timetable for and sequence of events surrounding the transfer of sovereignty.<sup>616</sup>

**1056.** Mr Blair was advised on 21 May that US and UK officials had met to discuss communications issues surrounding the transition.<sup>617</sup> The CPA was establishing a communications office for the incoming Iraqi Prime Minister. Staffing that office might be problematic; the incoming Prime Minister would probably not accept staff nominated by the US or UK but might have few of his own.

**1057.** Mr Richmond reported from Baghdad on the same day that the CPA was working “intensively” to establish the new administrative arrangements that the incoming Iraqi Prime Minister would need:

“Iraq no longer has anything we would recognise as a functioning centre of government; these structures require setting up from scratch.

“The straitjacket of a CPA Order has been rejected in favour of presenting an outline proposal to an incoming Prime Minister, allowing strong Iraqi ownership of all structures and staffing, though [Ambassador] Bremer has directed that some core staff be in place from the day the [Prime Minister] is appointed. It will be made clear that this is advice, not prescription.”<sup>618</sup>

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<sup>614</sup> Minutes, 18 May 2004, Iraq Senior Officials Group.

<sup>615</sup> Letter Sheinwald to Rice, 18 May 2004, [untitled], attaching Note [Blair to Bush], [undated], ‘Note on Iraq’.

<sup>616</sup> Letter Quarrey to Owen, 20 May 2004, ‘Prime Minister’s VTC with Bush, 20 May: Iraq’.

<sup>617</sup> Minute Heatly to Prime Minister, 21 May 2004, ‘Iraq: Communications Around the Transition’.

<sup>618</sup> Telegram 250 IraqRep to FCO London, 21 May 2004, ‘Iraq: Support to the New Prime Minister’.

**1058.** Mr David Quarrey, a Private Secretary in No.10, passed Mr Blair's comments on those reports to the FCO on 24 May.<sup>619</sup> Mr Blair thought that it was vitally important that the new Iraqi Prime Minister and President had "first-class support services and an immediate media plan". It was also vital that the Coalition had a plan to protect and repair Iraq's oil and electricity infrastructure, especially as the transition and summer approached.

**1059.** On 24 May, Mr Bob Morgan, an adviser to the Iraqi Oil Ministry employed by the FCO, and his bodyguard Mr Mark Carman, were killed in Baghdad.<sup>620</sup>

**1060.** Mr Blair held a video conference with President Bush on 26 May.<sup>621</sup> Mr Blair said that there had been a good meeting between the US and UK media teams, focused on getting the right support for the new Iraqi Prime Minister.

**1061.** Lt Gen John McColl, Senior British Military Representative, Iraq, advised the 28 May meeting of the ISG that there were "dangers of discontinuities" between the end of the CPA and the start of the IIG.<sup>622</sup> The CPA was ensuring co-ordination between Iraqi ministries and between Baghdad and the provinces; there could be problems after the dissolution of the CPA which could not be entirely overcome by the remaining international advisers. Separately, there was a risk that key Iraqi Government employees would not be paid during the transition.

**1062.** Lt Gen McColl also warned of the risk of a gap between the end of CPA reconstruction projects and the start of PMO projects, leading to a dip in employment during the summer which would impact on the security situation. He recommended that military commanders be given access to further, and larger scale, funding for QIPs to fill the gap.

**1063.** The ISG asked DFID to look again at the risk of a reconstruction gap, and MOD to approach the Treasury about further funding for QIPs.

**1064.** On 1 June the Iraqi Interim Government (IIG) was sworn in, with Dr Ayad Allawi as Prime Minister and Dr Barham Salih as Deputy Prime Minister.<sup>623</sup>

**1065.** Mr Alan Charlton, Chargé d'Affaires at the British Embassy Washington, reported US transition plans on 3 June.<sup>624</sup> In addition to the Embassy in Baghdad, there would be four "Regional Hubs": Mosul, Kirkuk, Hillah and Basra. There was a growing realisation within the US Government that the mission after transition would be very different. Mr John Negroponte, US Ambassador-designate, had defined his mission as supporting, rather than directing, the IIG.

<sup>619</sup> Letter Quarrey to Owen, 24 May 2004, 'Iraq'.

<sup>620</sup> Minutes, 25 May 2004, Iraq Senior Officials Group meeting; *BBC News*, 26 May 2004, *Oil expert killed in Iraq 'felt safe'*.

<sup>621</sup> Letter Quarrey to Owen, 26 May 2004, 'Iraq: Prime Minister's VTC with Bush, 26 May'.

<sup>622</sup> Letter Cabinet Office [junior official] to Sheinwald, 28 May 2004, 'Iraq Strategy Group'.

<sup>623</sup> *BBC News*, 1 June 2004, *Iraq's interim cabinet sworn in*.

<sup>624</sup> Telegram 684 Washington to FCO London, 3 June 2004, 'Iraq: US Mission Transition Planning'.

**1066.** Mr Charlton highlighted two potential problems:

- a funding gap as the CPA closed and the IIG took on responsibility for managing expenditure through the DFI; and
- local instability as CPA Governorate Teams left: Governors and Provincial Councils were mostly inexperienced with varying degrees of local legitimacy; some would fail without a Coalition presence.

**1067.** Mr Dominic Asquith, Deputy Chief Commissioner in the CPA, reported from Baghdad on 6 June that Prime Minister Allawi had accepted assistance from DFID's Emergency Public Administration Programme (EPAP) team to set up his office, and would welcome support from the FCO on media operations.<sup>625</sup>

**1068.** Mr Asquith reported on 11 June that DFID was significantly expanding the EPAP consultancy team in response to the Iraqi demand for the work, including on media and communications.<sup>626</sup>

### The state of provincial administration in the South, June 2004

Maj Gen Stewart, GOC MND(SE), and Mr Nixon sought to meet the Governors in each of the four southern Provinces during June, to discuss the transition and help prepare them to assume "real and heavy administrative responsibilities".<sup>627</sup>

An MOD official reported on 4 June on their visits to Maysan and Dhi Qar:

"... the Provincial administrations have yet to understand the implications of the transfer of authority, i.e. that they will soon be fully responsible for Provincial government. Inexperienced and uninformed in governance, the assumption of administrative responsibility makes them uneasy. They are unhappy that the support and advice that they receive from the CPA over the past year will end. Central government in Baghdad is unreliable, and cannot be depended on to provide uninterrupted finance and other support in absence of the kind of mediation that CPA officials have provided. We are thinking of using MOD civil servants (policy advisers) to help fill the gap until FCO/DFID or US project personnel are available, as planned."

Maj Gen Stewart reported to No.10 on 10 June that, in contrast, the Governor of Muthanna, a "dominant figure in the Province", was eager to take on full responsibility after 30 June.<sup>628</sup> He was, however, "likely to limit the emergence of genuinely effective representative political institutions".

The joint visit to Basra was delayed by ongoing attempts to reconstitute the Provincial Council and the need to appoint a new Governor.

<sup>625</sup> Telegram 286 Asquith to FCO London, 6 June 2004, 'Iraq: Meeting with the Prime Minister'; Telegram 288 Asquith to FCO London, 6 June 2004, 'Reconstruction Development and Essential Services'.

<sup>626</sup> Telegram 310 Asquith to FCO London, 11 June 2004, 'Iraq: Support to the Prime Minister and Cabinet'.

<sup>627</sup> Minute MOD [junior official] to CJO, 4 June 2004, 'GOC MND(SE) – Iraq Update'.

<sup>628</sup> Minute Stewart to Rycroft, 10 June 2004, 'GOC MND(SE) – Iraq Update'.

## Resolution 1546

**1069.** The UN Security Council adopted resolution 1546 (2004) on 8 June (see Section 9.2).<sup>629</sup> The resolution:

- Endorsed the formation of a sovereign Interim Government of Iraq (generally known as the Iraqi Interim Government or IIG) which would assume full responsibility and authority for governing Iraq by 30 June 2004, while refraining from taking any actions “affecting Iraq’s destiny” beyond the limited interim period (until an elected Transitional Government of Iraq assumed office).
- Reaffirmed the right of the Iraqi people freely to determine their own political future and “to exercise full authority and control over their financial and natural resources”.
- Decided that the Special Representative to the Secretary-General (SRSG) and the United Nations Assistance Mission for Iraq (UNAMI), at the request of the Iraqi Government, should:
  - “○ advise the Government of Iraq in the development of effective civil and social services;
  - contribute to the co-ordination and delivery of reconstruction, development, and humanitarian assistance;
  - promote the protection of human rights, national reconciliation, and judicial and legal reform in order to strengthen the rule of law in Iraq; and
  - advise and assist the Government of Iraq on initial planning for the eventual conduct of a comprehensive census”.
- Recognised that the IIG would assume the primary role in co-ordinating international assistance to Iraq.
- Noted that, upon the dissolution of the CPA, funds in the Development Fund for Iraq (DFI) “shall be disbursed solely at the direction of the Government of Iraq, and *decides* that the Development Fund for Iraq shall be utilised in a transparent and equitable manner and through the Iraqi budget ... that the arrangements for the depositing of proceeds from export sales of petroleum, petroleum products, and natural gas established in paragraph 20 of resolution 1483 (2003) shall continue to apply, and that the International Advisory and Monitoring Board (IAMB) shall continue its activities”.
- Welcomed the commitment of many creditors, including those of the Paris Club, to identify ways to reduce substantially Iraq’s debt, called on Members States, international and regional organisations to support Iraq’s reconstruction effort, urged international financial institutions and bilateral donors to provide their full range of loans and other financial assistance and arrangements, and recognised that the IIG would have the authority “to conclude and implement such agreements and other arrangements as may be necessary in this regard”.

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<sup>629</sup> UN Security Council resolution 1546 (2004).

**1070.** The resolution also requested Member States, international financial institutions and other organisations to strengthen their efforts to support reconstruction and development.

**1071.** A Treasury official advised Mr Brown and Mr Boateng that the resolution had significant implications for Iraq's development.<sup>630</sup> To maintain transparency in the management of oil revenues, the resolution provided for the continuation of the DFI under the control of the Iraqi Government. At the UK's request, the resolution explicitly mentioned transparency and provided that DFI funds could only be spent through Iraq's budget.

**1072.** The IAMB would continue to monitor oil sales and provide an external audit function, and would include an additional member designated by the Government of Iraq.

**1073.** Oil revenues held in the DFI would continue to enjoy immunity from attachment. The UK had pressed unsuccessfully to extend that immunity to foreign exchange reserves held in the Central Bank of Iraq.

**1074.** The resolution recognised the IIG's authority to conclude and implement loan agreements and other financial assistance and arrangements. That should enable the IGI to negotiate and agree an IMF programme and conclude a Paris Club debt deal.

**1075.** The resolution called for IFIs to engage fully in assisting reconstruction and development. Since the bombing of the UN Headquarters in Baghdad in August 2003, they had provided technical assistance through seminars outside Iraq and by commenting on draft economic legislation and the management of donor funds. That was no substitute for working in country; the UK would continue to press them to return as soon as possible.

**1076.** The official also advised that the Financial Management Law signed by Ambassador Bremer on 5 June was "a key piece of economic legislation" that regulated the preparation and execution of Iraq's budget. UK Treasury officials had been extensively involved in its drafting.

**1077.** The 17 June meeting of the AHMGIR considered DFID's second paper on funding reconstruction in the South after transition.<sup>631</sup> It was more detailed and less reassuring than the paper considered by ISOG on 19 May.

**1078.** In the paper, DFID assessed that the first few months after transition would be a critical period for establishing stability under new Iraqi structures, building credibility in the political process, and maintaining consent for multinational military forces after the end of Occupation.<sup>632</sup> The quality of the provision of basic services – particularly water,

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<sup>630</sup> Minute Treasury [junior official] to Chancellor, 10 June 2004, 'Iraq – UNSCR 1546 and Financial Management Law'.

<sup>631</sup> Minutes, 17 June 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>632</sup> Paper DFID, June 2004, 'Southern Iraq: Reconstruction and Employment After 30 June'.

power and fuel – was likely to have a significant impact on those issues, particularly over the hot summer months. The level of employment would also be important.

**1079.** DFID reviewed the sources of reconstruction funding for southern Iraq. The last CPA(South) projects would be completed by 30 September. The PMO would become by far the largest source of funding (some US\$3.1bn of the US\$18.4bn IRRF2 was allocated for the four Southern provinces), but it remained unclear when it would deploy to the South and it was unlikely to have “substantial” activity under way before the autumn. The IIG would have responsibility for spending DFI and other Iraqi revenues from 30 June, but the UK should not expect the IIG to provide substantial funds for reconstruction “in the short-term”. The World Bank and UN Trust Funds were not expected to “become major players” until 2005.

**1080.** DFID concluded that there was “a risk of a lull in funding” between the beginning of the CPA wind-down in August and November, when it was “reasonable to hope” that both PMO funding and IIG activity would have picked up.

**1081.** DFID reported that actions being taken to mitigate the gap were:

- Deploying a seven-person Project Continuity Team (PCT) to work in the PMO to administer CPA projects beyond 30 June. DFID had filled most of the posts and Mr Nixon was attempting to secure the CPA’s agreement to deploy the team.
- Securing a “full share” of US CERPs funding.
- Helping the PMO become operational in the South as soon as possible, by deploying a Transitional Advisory Team to help PMO contractors adjust to local conditions and engage with Iraqi counterparts. The Team should be in place by late July, before most PMO contractors had arrived.
- Helping Iraqi institutions to become operational quickly by focusing the work of DFID’s £20m GCBP on directorates involved in basic service provision and job creation.
- Pressing the UN and World Bank Trust Funds to become operational quickly. DFID was continuing to lobby both organisations.

**1082.** DFID proposed that the UK could also consider:

- providing additional funding for QIPs;
- providing small-scale funding for Iraqi municipal councils, to enable them to fund reconstruction projects; and
- seeking to influence PMO expenditure plans in favour of the South, possibly by seconding a senior officer into the PMO.

**1083.** DFID also advised that:

“CPA’s limited data shows no direct relationship between reported levels of unemployment and violence. Likewise, there is no apparent correlation between lack

of basic services (e.g. water) and violence. But it is a widely accepted assumption that employment and economic well-being will increase support for the Government and a pool of un- and under-employed men will pose a security risk.”

**1084.** The Annotated Agenda for the AHMGIR meeting stated that delays to PMO mobilisation raised the risk of a shortfall in funding for reconstruction over the summer.<sup>633</sup> The US remained confident that PMO contractors would deploy to Basra shortly; the UK believed that was optimistic.

**1085.** The AHMGIR noted the DFID paper, and agreed that the UK should lobby the US to ensure that IRRF2 funds flowed to the South and to agree additional funding for quick impact projects.<sup>634</sup>

## The state of Iraq on the eve of transition

**1086.** Mr Richmond reported on 17 June that the threat to staff in Baghdad was at its highest level since April 2003.<sup>635</sup> Journeys outside the Green Zone were only being approved under exceptional circumstances, seriously handicapping operational capacity (although work to support the Prime Minister’s Office and some other programmes were continuing). He had asked all staff who were not staying beyond 30 June to leave by 21 June.

**1087.** Mr Nixon reported on the same day that the security situation in the South had improved since April, and was generally quiet.<sup>636</sup>

**1088.** Mr Richmond reported separately, also on the same day, that attacks on oil pipelines continued despite enhanced security measures, with four major attacks in the past few days.<sup>637</sup> There were simply not enough resources to protect Iraq’s oil infrastructure against determined insurgents with expertise.

**1089.** Mr Hoon told the 17 June meeting of the AHMGIR that UK forces in Maysan were sustaining 22 percent casualties.<sup>638</sup> That could not continue indefinitely, and root causes such as unemployment needed to be examined.

**1090.** Mr Benn told the meeting that DFID continued to look at the scope for targeting factors that contributed to insecurity, such as unemployment. DFID was also looking flexibly at how it provided assistance. One option was to fund provincial authorities directly (although there were clearly risks, including that such funding might be diverted).

**1091.** On 21 June, Mr Richmond reported the headline results of a CPA-commissioned poll conducted by Oxford Research International between 19 May and 14 June.<sup>639</sup> The

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<sup>633</sup> Annotated Agenda, 17 June 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>634</sup> Minutes, 17 June 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>635</sup> Telegram 328 IraqRep to FCO London, 17 June 2004, ‘Iraq: Security of Personnel’.

<sup>636</sup> Telegram 67 Basra to FCO London, 17 June 2004, ‘Iraq: Security of Personnel in the South’.

<sup>637</sup> Telegram 329 IraqRep to FCO London, 17 June 2004, ‘Iraq: Oil Infrastructure Attacks’.

<sup>638</sup> Minutes, 17 June 2004, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting.

<sup>639</sup> Telegram 341 IraqRep to FCO London, 21 June 2004, ‘Iraq: New Polling Data’.



poll reported that 64 percent of Iraqi citizens said that their life was about the same or better than a year ago; the comparable figure from the March 2004 report was 81 percent. The availability of schools and basic goods were regarded as the most positive changes; the provision of electricity and jobs the least positive.

**1092.** Mr Quarrey advised Mr Blair on 22 June, in advance of a video conference with President Bush, that reconstruction was “still a worry”.<sup>640</sup> The US and UK needed to make sure there was no dip in activity over the summer as CPA projects wound down and new projects under the PMO and IIG started up.

**1093.** The 25 June meeting of the ISG judged that preparations for transition were “on course”.<sup>641</sup> The risk of a dip in reconstruction activity through the summer remained. However, the Iraqi Ministry of Finance had now agreed that CPA projects funded by the DFI could be managed by the PMO through to their completion, and QIPs and CERPs were available to commanders for short-term projects when a specific business case was put forward.

**1094.** The Occupation of Iraq formally came to an end on 28 June, two days earlier than had been originally planned, in order to avoid disruption by insurgents.

**1095.** On the same day, as he prepared to leave Baghdad, Mr Richmond sent a valedictory telegram to the FCO in London in which he assessed the failures and achievements of the CPA:

“After security, services have been the CPA’s main failing. Baghdad presently has fewer than 12 hours per day of electricity – no different from a year ago. The Iraqis had inflated expectations of what CPA could deliver; the Coalition seriously underestimated the scale of the problem. Sabotage and increasing demand have compounded the problem but disorganisation and delays in securing funds have played their part.”<sup>642</sup>

**1096.** Mr Richmond also set out what had gone right, including establishing a political process and reforming the economy:

“... [a] new and stable currency has been introduced; an independent Central Bank, sound monetary policy and budgetary discipline and controls are in place. Higher wages have resulted in a mini consumer boom. New bank regulations and a new code of foreign direct investment will, once security improves, position the economy for rapid growth. The black spot is unemployment (on which estimates differ) but as the US supplemental [IRRF2] and other donor money kicks in this should be a diminishing problem.”

<sup>640</sup> Minute Quarrey to Blair, 22 June 2004, ‘VTC with President Bush, 22 June’.

<sup>641</sup> Minute Cabinet Office [junior official] to Sheinwald, 29 June 2004, ‘Iraq: Strategy Group’.

<sup>642</sup> Telegram 359 Richmond to FCO London, 28 June 2004, ‘Iraq: Valedictory: The End of Occupation Part 1 of 2’.

**1097.** Mr Richmond reported that CPA advisers had made progress in re-establishing the machinery of government, reforming ministries, drawing up strategies and putting proper financial controls in place. There was still some way to go, but there was now a functioning system to hand on to the IIG.

**1098.** A Treasury official who had been seconded to the CPA told a July 2004 Treasury seminar on Iraq that the CPA's scorecard on economic reform was "pretty evenly balanced".<sup>643</sup> Early, good progress (including establishing a single, stable currency) had been undermined by the CPA's loss of control over the fiscal situation over the last six months. Some CPA reforms, including "unfettered" foreign direct investment and full interest rate liberalisation, had been too ambitious and had irritated Iraqi counterparts.

**1099.** The same official provided advice to Mr Brown on 28 July on UK economic strategy in Iraq to the end of 2004.<sup>644</sup> In that context, the official advised that the CPA had made substantial progress in establishing a new macroeconomic policy framework and in liberalising the economy. In particular, the introduction of a new currency and creation of an independent central bank had proved "more successful than expected". There had also been some substantial failures, including the unfinanced deficit in the 2005 budget and "ducking the subsidy issue".

**1100.** The official also reported that the CPA had missed its target for electricity generation of 6,000MW (generation was currently peaking at 5,000MW) and for oil production of 2.5m barrels per day (production was "several hundred thousand barrels" less).

**1101.** In June 2004, the CPA published a review of their accomplishments in helping the Iraqi authorities assume responsibility for security, establish effective representative governance, improve essential services, and build a market-based economy.<sup>645</sup>

**1102.** *Hard Lessons* described the review as "a glowing report card" which "missed the mark".<sup>646</sup> *Hard Lessons* assessed that the Coalition's record was "very mixed". The most serious threat to continuing reconstruction was insecurity.

**1103.** In his statement to the Inquiry, Ambassador Bremer highlighted the difficulties created for the CPA by the Coalition military's inability to provide security, and continued:

"Despite these handicaps, and chronic understaffing [of the CPA], the historic record of the CPA's accomplishments is clear. When the CPA left, Iraq's economy was rebounding smartly, not just from post war levels, but well beyond the pre-war levels.

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<sup>643</sup> Paper, [undated], 'Transcript of Treasury Seminar held in London on Monday 19 July 2004'.

<sup>644</sup> Minute Treasury [junior official] to Chancellor, 28 July 2004, 'Iraq'.

<sup>645</sup> Coalition Provisional Authority, June 2004, *An Historic Review of CPA Accomplishments*.

<sup>646</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

And by helping Iraqis draft a modern, liberal constitution, the CPA gave the Iraqi people the political structure to define a path to representative government ...”<sup>647</sup>

### Sir Hilary Synnott’s assessment

**1104.** Mr Blair told the Inquiry that, although anxiety and concern were occasionally flagged up very strongly in Sir Hilary’s reports from Basra, when Sir Hilary left Iraq at the end of January 2004, he was, on balance, optimistic rather than pessimistic.<sup>648</sup>

**1105.** In response, Sir Hilary wrote to the Inquiry to clarify that his judgement that “the balance of probability is positive” had referred only to southern Iraq, the region for which he had some responsibility, not to the country as a whole, about which he was in no position to make such an assessment.<sup>649</sup>

**1106.** Sir Hilary also emphasised that his judgement should be viewed in the context of the recommendation he put forward at the time, including at his meeting with Mr Blair in February 2004, that maintaining momentum in CPA(South) could best be achieved by retaining a multinational development presence in the South, able to draw on the expertise, contacts and trust built up during the CPA period. However:

“In the event, my strategy was not accepted. The international team, who included a large number of British specialists, was disbanded. While DFID managed a small number of British-owned projects, the vast majority of the projects which were being pursued by the CPA failed, as I had feared.

“I would not suggest that the alternative approach such as I had proposed would have prevented the subsequent build-up of violence. But it is possible that the attitudes of the people of the South would have been more positive if they had experienced the benefits of the projects as they came on stream ... Had I known that the civilian capital, experience and impetus built up over the previous year would be allowed to fall away ... I would no doubt have offered a different judgement.”

### Resources available for reconstruction

**1107.** At least US\$19.4bn was spent on the relief and reconstruction of Iraq during the Occupation. Of that, US\$16.4bn – almost 85 percent – was Iraqi funding.

**1108.** The US General Accounting Office (GAO) estimated in June 2004 that as at the end of April 2004, approximately US\$58.3bn had been pledged “to the relief and reconstruction of Iraq”, of which at least US\$23.7bn had been obligated (subject to a binding agreement that would result in immediate or future outlay of funds)

<sup>647</sup> Statement, 18 May 2010, page 5.

<sup>648</sup> Public hearing, 21 January 2011, page 135.

<sup>649</sup> Letter Synnott to Aldred, 24 January 2011, [untitled].

and US\$13.7bn disbursed.<sup>650</sup> Table 1 shows the breakdown of those totals by funding source.

Table 1: Total funding for relief and reconstruction, as at April 2004 (US\$bn)

	US Appropriations	Development Fund for Iraq	Vested and seized assets	International funding	Total
Available funding	24.0	18.0	2.7	13.6	<b>58.3</b>
Of which obligated	8.2	13.0	2.5	n/a	<b>23.7</b>
Of which disbursed	3.0	8.3	2.4	n/a	<b>13.7</b>

**1109.** The GAO stated that they did not have complete and reliable information on obligations and disbursements by international donors.

**1110.** The GAO figure for international funding reflected the lower end of the range (US\$13.6bn – US\$17.3bn) pledged by international donors at the 23/24 October 2003 Madrid Donors Conference.

**1111.** A July 2005 GAO report updated the figures for the Development Fund for Iraq (DFI) only, to 28 June 2004.<sup>651</sup> Table 2 shows the updated breakdown by funding source.

Table 2: Total funding for relief and reconstruction (US\$bn)

	US Appropriations	Development Fund for Iraq	Vested and seized assets	International funding	Total
Available funding	24.0	21.0	2.7	13.6	<b>61.3</b>
Of which obligated	8.2	17.0	2.5	n/a	<b>27.7</b>
Of which disbursed	3.0	14.0	2.4	n/a	<b>19.4</b>

**1112.** The GAO reported that Iraqi funds (from the DFI and vested and seized assets) had been used primarily to pay the operating expenses of the Iraqi government, such as salary payments and ministry operations. Approximately US\$7bn had been used for relief and reconstruction projects.

<sup>650</sup> US General Accounting Office, Report to Congressional Committees, June 2004, *Rebuilding Iraq. Resource, Security, Governance, Essential Services, and Oversight Issues*.

<sup>651</sup> US General Accounting Office, Report to Congressional Committees, July 2005, *Status of funding and reconstruction efforts*.

## UK funding for humanitarian assistance and reconstruction

**1113.** Section 13.1 describes how the UK Government allocated funds for humanitarian assistance and reconstruction before and during the Occupation. The allocations were:

- In March 2003, the MOD ear-marked £10m for QIPs.
- In March 2003, the Treasury agreed that the MOD could spend up to £30m on humanitarian operations in the UK's AO.
- By the end of March 2003, DFID had allocated a total of £210m to humanitarian relief in Iraq in 2002/03 and 2003/04. In the event, the humanitarian crisis that had been feared did not materialise. By May, DFID had made available the uncommitted balance of that funding – some £90m – for “recovery and reconstruction”.
- On 9 April 2003, Mr Brown announced that he had set aside an additional US\$100m (£60m) to “back up the UN and the work of reconstruction and development”.<sup>652</sup>
- In August 2003, Ministers agreed an Iraq Strategy within the Global Conflict Prevention Pool (GCPP) with an allocation of £7.5m in 2003/04 and in 2004/05.

**1114.** Section 13.1 (Table 10) sets out UK expenditure on humanitarian assistance and development assistance (reconstruction) by UK financial year (1 April to 31 March). The UK spent:

- £110m on humanitarian assistance in 2003/04 (and £19m in 2002/03, to enable humanitarian agencies to prepare to respond to a humanitarian crisis in Iraq);
- £99m on development assistance in 2003/04; in addition, the UK's “imputed share” of development expenditure by multilateral organisations to which it contributed was £11m; and
- £5m from the GCPP.

## UK support for the CPA

**1115.** Departments have been unable to disaggregate figures for their support for the ORHA and the CPA from their total expenditure in Iraq.

**1116.** The Inquiry estimates that the UK provided at least £60m, comprising:

- £29.2m secured by the FCO from the Treasury Reserve to support the CPA.<sup>653</sup>  
The FCO cannot provide a figure for their (non-Reserve) support for ORHA/CPA.

<sup>652</sup> House of Commons, *Official Report*, 9 April 2003, columns 271-288.

<sup>653</sup> Letter Cabinet Office [junior official] to Iraq Inquiry [junior official], 1 December 2011, ‘Iraq Inquiry: Funding’.

- DFID told the Inquiry that it spent “about £28m” on staff secondments to the CPA and associated security costs between mid-2003 and 28 June 2004.<sup>654</sup>
- Other departments will have incurred costs in relation to the salaries of their staff seconded to the CPA.

## Reflections on the level of resources available for reconstruction

**1117.** A number of witnesses told the Inquiry that reconstruction during this period was not constrained by a lack of funds. Mr Andy Bearpark, the CPA’s Director of Operations, told the Inquiry:

“... we [the CPA] were not in any way resource-constrained in terms of amount of money. We may have been very constrained in terms of our ability to spend the money.”<sup>655</sup>

**1118.** Mr Blair echoed this view in his biography:

“We had enough money, effort and people to have rebuilt Iraq within a year of conflict’s end.

“What happened was that the security situation deteriorated ...”<sup>656</sup>

**1119.** Mr Blair continued:

“... a bigger pre-planned effort and a massive civilian reconstruction programme would have filled an early vacuum. It would have been an immediate jobs programme for unemployed Iraqis. But ... it would be naive in the extreme to believe that this in itself would have stopped the violence, the origins of which were profound and political.

“With a manageable security situation, any shortcomings [in the reconstruction effort] could quickly have been overcome ...”<sup>657</sup>

**1120.** Sir Suma Chakrabarti told the Inquiry that Iraq had been the “number one recipient” of British assistance in 2003/04.<sup>658</sup> He agreed with the Inquiry suggestion that this was sufficient to do a “high-quality” job in southern Iraq:

“... so long as we had also got the money that the Coalition Provisional Authority was meant to allocate as well to the southern region. That was more of the problem.”

**1121.** Looking beyond the CPA period, Mr Benn told the Inquiry:

“... ultimately it wasn’t about the availability of money. There were very considerable sums that the Americans put in; this was in 2003/04 the biggest DFID bilateral

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<sup>654</sup> Paper DFID, 14 April 2005, ‘Development Assistance in Iraq’; Letter Cabinet Office to Aldred, 13 September 2011, ‘Iraq Inquiry: Request for Further Information on Funding’.

<sup>655</sup> Public hearing, 6 July 2010, page 66.

<sup>656</sup> Blair T. *A Journey*. Hutchinson, 2010.

<sup>657</sup> Blair T. *A Journey*. Hutchinson, 2010.

<sup>658</sup> Public hearing, 22 January 2012, pages 12-13.

programme in the world, which was a sign of the seriousness with which we took it; and then, of course, there were the resources that Iraq had ...

“The question was: could you actually move the money and apply it and make things happen on the ground?”<sup>659</sup>

**1122.** Mr Benn added that, in his view, the main obstacle to spending money effectively was insecurity.<sup>660</sup>

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<sup>659</sup> Public hearing, 2 February 2010, page 14.

<sup>660</sup> Public hearing, 2 February 2010, page 21.





## SECTION 10.2

### RECONSTRUCTION: JULY 2004 TO JULY 2009

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## Introduction

1. Section 10 addresses the UK contribution to humanitarian assistance and reconstruction in Iraq between 2003 and 2009:

- Section 10.1 covers the period between March 2003 and the end of the Occupation of Iraq in June 2004.
- Section 10.2 continues the story from July 2004 to July 2009.

2. Sections 10.1 and 10.2 consider:

- humanitarian assistance;
- the development and implementation of UK reconstruction policy, strategy and plans;
- the UK's engagement with the US on reconstruction, including with the US-led Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA); and
- the UK's engagement with successive Iraqi governments on reconstruction.

3. Section 10.3 addresses five issues in more detail:

- UK policy on Iraq's oil and oil revenues;
- the Government's support for UK business in securing reconstruction contracts;
- debt relief;
- asylum; and
- reform of the Government's approach to post-conflict reconstruction and stabilisation.

4. Those issues are addressed separately from the main reconstruction narrative, in order to provide a clearer account of the development of the UK's engagement.

5. This Section does not consider:

- planning and preparing to provide humanitarian assistance and reconstruction, which is addressed in Sections 6.4 and 6.5;
- the financial and human resources available for post-conflict reconstruction, addressed in Sections 13 and 15 respectively;
- de-Ba'athification and Security Sector Reform (SSR), addressed in Sections 11 and 12 respectively; and
- wider UK policy towards Iraq in the post-conflict period, addressed in Section 9.

## The transition from Occupation to an Iraqi Government

6. On 28 June 2004, the Coalition Provisional Authority (CPA) formally handed over to a sovereign Iraqi Government. In the 11 months that followed, the governance of Iraq was the responsibility of the Interim Iraqi Government (IIG), headed by Prime Minister Ayad Allawi.
7. The security situation in Iraq remained difficult.
8. The core UK Ministerial team was unchanged: Mr Brown remained Chancellor of the Exchequer, Mr Straw Foreign Secretary, Mr Hoon Defence Secretary, and Mr Benn International Development Secretary.
9. Mr Straw continued to chair the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR), which met seven times between July 2004 and February 2005, after which its business was taken up by the Ad Hoc Ministerial Group on Iraq (AHMGI).
10. Mr David Richmond, the Prime Minister's Special Representative on Iraq, and Ambassador Paul Bremer, the CPA Administrator, left Iraq shortly after the handover ceremony.<sup>1</sup>
11. Ambassador John Negroponte, the new US Ambassador to Iraq, presented his diplomatic credentials to the IIG on 29 June.<sup>2</sup>
12. *Hard Lessons* described how, shortly after arriving in Baghdad and driven by his concern about worsening security, Ambassador Negroponte put the US\$18.4bn Iraq Relief and Reconstruction Fund (IRRF2) on hold and initiated a "thorough re-examination" of US priorities.
13. Ambassador Negroponte concluded that implementing economic development programmes would be fruitless while security remained a serious problem. Three reallocations of IRRF2 funds took place in September 2004, December 2004 and March 2005. Those reallocations provided additional funds for security, the political process and "project sustainment" at the expense of infrastructure projects. The water and sanitation sector lost nearly half its funding, and the electricity sector almost a quarter of its funding.
14. Mr Edward Chaplin arrived in Baghdad on 5 July to take up post as the first British Ambassador to Iraq since 1990.

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<sup>1</sup> Annotated Agenda, 1 July 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>2</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**15.** Ms Lindy Cameron, Deputy Head of DFID Baghdad from January to November 2004 (and subsequently Head of DFID Baghdad), described the transition:

“... it’s hard to describe how strange the CPA was. So in a sense this period in June/July 2004 when we were transitioning from the CPA to ... an Iraqi Government that was then sovereign, was a real transition because it is difficult to imagine how strange it was to be in a building of thousands and thousands of foreign officials effectively running a country, and then a very rapid transition from that to an Iraqi Government which had some of the structures it needed, but then didn’t have some of the others.”<sup>3</sup>

## Efforts to accelerate the pace of reconstruction

**16.** On 1 July, at his request, the Permanent Joint Headquarters (PJHQ) provided General Sir Michael Walker, Chief of the Defence Staff (CDS), with advice on post-transition plans for infrastructure reconstruction.<sup>4</sup>

**17.** PJHQ advised that:

- The US Project and Contracting Office (PCO) would be the largest source of funding for reconstruction in the short to medium term, but was still developing its management structures and procedures and recruiting staff. It was likely that the PCO would not be fully functioning until September. Concerns had been expressed about a funding gap over the summer and the consequent potential for “social unrest”. MND(SE) had explored the possibility of extending CPA projects or increasing the US Commanders’ Emergency Response Programme (CERPs) allocation for the South, but neither option appeared possible. Ambassador Bremer had requested that additional UK resources should be used to plug the potential gap between CPA and PCO activity.
- Since the emphasis in Iraq had shifted from reconstruction to development, the bulk of the UK’s future contribution clearly fell “within the competence of DFID”.
- The Essential Services Plan, which had been due to complete by 30 June 2004 but had now been extended to August, remained the “major vehicle for infrastructure reconstruction” in MND(SE).
- The UK military would continue to implement projects funded by the US CERPs and UK allocations for Quick Impact Projects (QIPs).

**18.** The 1 July meeting of the AHMGIR considered three papers on UK priorities for the period up to the Iraqi elections (scheduled for January 2005), on the political process, security, and reconstruction and development.<sup>5</sup>

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<sup>3</sup> Public hearing, 22 June 2010, pages 12-13.

<sup>4</sup> Minute CivSec PJHQ to PSO/CDS, 1 July 2004, ‘Infrastructure Reconstruction at Transition’.

<sup>5</sup> Annotated Agenda, 1 July 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

**19.** The MOD paper on security assessed that the security situation was unlikely to improve in the immediate future.<sup>6</sup> The key to improving the security situation was achieving “buy-in” to the political process and making progress on reconstruction, at the same time as developing the capacity of the Iraqi Security Forces (ISF).

**20.** The paper highlighted the importance of job creation:

“A major Iraqi complaint is the failure to meet expectations on reconstruction. This has the double negative effect of creating disaffection with the political process and increasing the pool of unemployed ...

“It will therefore be important that the reconstruction programme creates sufficient jobs to significantly reduce the number of disaffected. In the short term, continuing difficulties in the delivery of essential services could lead to serious disturbances during the summer.”

**21.** The DFID paper on reconstruction and development assessed that the next six months would be critical for establishing stability.<sup>7</sup> Better security would be “central if there is to be sustained progress on reconstruction, effective engagement by the UN and World Bank, and if the Iraqi economy is to take off as it should”.

**22.** Other key issues for reconstruction and development were:

- minimising any potential slowdown in reconstruction and development in the South over the summer, in particular as new US structures became established;
- building the capacity of Iraqi institutions to manage reconstruction;
- helping the IIG conclude debt relief negotiations and setting the foundations for macro-economic stability;
- SSR and access to justice; and
- strengthening social cohesion by supporting Iraqi participation in the political process, strengthening civil society’s ability to advocate for the poor, and supporting the development of the Iraqi media.

**23.** At the meeting, Mr Benn welcomed the fact that “Iraqis were clearly in charge and their voices were being heard”.<sup>8</sup> The UK was moving “from a phase of doing things for the Iraqis to supporting them doing it for themselves”. The UK’s focus was now on engaging the UN and World Bank, plugging any funding gap over the summer, and supporting Iraqi institutions to manage the reconstruction process and access funds.

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<sup>6</sup> Paper MOD, [undated], ‘Security: The Next Six Months’.

<sup>7</sup> Paper DFID, [undated], ‘Iraq Reconstruction and Development: UK Priorities for the Period up to the Elections’.

<sup>8</sup> Minutes, 1 July 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

**24.** The meeting endorsed the three papers, and commissioned the FCO to co-ordinate an integrated UK strategy covering the period up to the Iraqi elections for discussion at the meeting of the Defence and Overseas Policy Committee (DOP), a sub-Committee of the Cabinet, on 15 July.

**25.** In his first report from Basra on 12 July, Mr Simon Collis, the British Consul General, reported that no PCO staff had yet arrived in Basra to spend the South's US\$2.3bn projected share of IRRF2.<sup>9</sup> He continued:

“... no one here – including my US counterpart – knows yet how the third entirely new organisation in just over a year<sup>10</sup> will organise itself and do business. There must be a high risk that money will be spent slowly, inappropriately, and without adequate consultation with ourselves or, more importantly, the Iraqis.”

**26.** Mr Collis also advised that there were still no effective mechanisms in place to enable Iraqi ministries to release funds to Basra.

**27.** The strategy paper commissioned by the AHMGIR on 1 July was circulated to members of DOP on 13 July.<sup>11</sup> The introduction to the paper said that it offered:

“... a strategic look at the position we want Iraq to be in at the end of January 2005; risks to our strategy; and priority areas in which the UK can help ensure success.”

**28.** The paper, which had been produced by the FCO, defined the political, security and “reconstruction and economic” objectives for the period up to the Iraqi elections. The three objectives for reconstruction and the economy were:

- a functioning Iraqi Government in Baghdad and at governorate level capable of delivering basic services;
- reconstruction programmes funded by the PCO, the UN and World Bank Trust Funds, bilateral donors and the Iraqi Government which were delivering jobs and improvements to infrastructure and services; and
- a reduction in subsidies and an agreed IMF programme leading to a debt settlement by December.

**29.** The paper identified security as the most significant risk to achieving those objectives, in particular the risk of “a terrorist spectacular” against either the IIG or the UN. Other risks included infrastructure failures over the summer leading to popular discontent.

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<sup>9</sup> Telegram 76 Basra to FCO London, 12 July 2004, ‘First Impressions of Basra’.

<sup>10</sup> The PCO, following the Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA).

<sup>11</sup> Paper FCO, 13 July 2004, ‘Iraq: The Next Six Months’.

**30.** Based on those objectives and risks, the two “reconstruction and development” priorities were:

- To bridge funding shortfalls over the summer, when CPA and Development Fund for Iraq (DFI) projects ended, by implementing DFID and MOD job creation and infrastructure programmes. The UK had to maintain pressure on the US to spend its money in the South, quickly.
- To press the UN and the World Bank to send key staff back to Iraq.

**31.** The paper identified monthly milestones on the political process, reconstruction, and SSR tracks between July 2004 and January 2005.

**32.** At the DOP meeting, chaired by Mr Blair, Ministers reported that:

- Progress was being made on reconstruction. Electricity production was at its highest level so far (at 5,500 megawatts), the UK was providing expert advice to the IIG, notably to Prime Minister Allawi’s office, and DFID and the MOD had funds in place to mitigate a possible funding gap over the summer.
- Implementation of the main infrastructure contracts was slow.<sup>12</sup>

**33.** DOP agreed the priorities set out in the paper, and commissioned DFID to produce a note on infrastructure issues which Mr Blair might use in discussions with President Bush.

**34.** The FCO paper was not the integrated strategy that Ministers had requested on 1 July.

**35.** The DFID note that was subsequently sent to No.10 welcomed the anticipated arrival of the PCO Regional Co-ordinator in Basra, and continued: “But PCO [Co-ordinator] will need a team to support him. Little sign of Supplemental [IRRF2] contractors on the ground. Needs impetus.”<sup>13</sup>

**36.** President Bush and Mr Blair spoke by video conference on 22 July. Mr Blair’s briefing for the discussion, which had been produced by Mr Antony Phillipson, Mr Blair’s Private Secretary, recalled that Mr Blair had told DOP that he would speak to President Bush about the pace of reconstruction spending.<sup>14</sup> Since then, Sir Nigel Sheinwald, Mr Blair’s Foreign Policy Adviser, had discussed the issue with Dr Condoleezza Rice, the US National Security Advisor. Mr Phillipson suggested that Mr Blair “might just mention” UK concerns about the situation in the South.

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<sup>12</sup> Minutes, 15 July 2004, DOP meeting.

<sup>13</sup> Letter Malik to Quarrey, July 2004, [untitled].

<sup>14</sup> Minute Phillipson to Prime Minister, 22 July 2004, ‘VTC with President Bush, 22 July’.

**37.** The record of the video conference did not include any reference to reconstruction.<sup>15</sup>

**38.** The Annotated Agenda for the 22 July meeting of the AHMGIR stated that the responsibility for IRRF2 had passed from the US Department of Defense (DoD) to the US State Department.<sup>16</sup> The State Department wanted to review US priorities to ensure they were “developmentally sound” and to shift resources from infrastructure to governance; the UK had urged quick decisions to avoid delaying disbursements.

**39.** The Annotated Agenda advised that a PCO Regional Co-ordinator would arrive in Basra at the end of July and projects would start in September. It appeared that the US was giving priority to programmes “in ‘their’ areas”; there was therefore a risk of a reconstruction gap in the South. The need to speed up US reconstruction in the South had been raised at a recent video conference between Mr Blair and President Bush.

**40.** The Annotated Agenda set out the action that the UK was taking, in addition to lobbying the US to speed up their efforts, to address the possible short-term funding gap:

- The MOD was seeking a further £10m from the Treasury for QIPs.
- DFID was funding a five-person Project Continuity Team (PCT) based in the PCO to help implement former CPA(South) projects. The PCT had already deployed.
- DFID was funding a 10-person Technical Advisory Team (TAT) comprising infrastructure and other specialists to help link Iraqi priorities and PCO plans. The team was expected to deploy to Iraq in August.
- DFID had developed a £16m programme to generate employment opportunities and provide an emergency response facility to deal with critical failures in essential services in the South over the next six months. The programme would start immediately.

**41.** The Annotated Agenda also stated that the IMF was seeking early agreement on a Stand-By Arrangement for Iraq (a precondition for a Paris Club deal on debt reduction). DFID hoped to deploy advisers to support the Iraqi Government in its negotiations with the IMF.

**42.** A UK Trade and Investment (UKTI) secondee to the PCO told an official at the British Embassy Baghdad on 7 August that he was not aware of any PCO policy to withhold support from Basra in favour of US areas.<sup>17</sup> The official described the secondee as “generally very well informed on PCO policies”.

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<sup>15</sup> Letter Phillipson to Adams, 22 July 2004, ‘Prime Minister’s VTC with President Bush, 22 July: Iraq and MEPP’.

<sup>16</sup> Annotated Agenda, 22 July 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>17</sup> Email FCO [junior official] to FCO [junior official], 7 August 2004, ‘PCO Manning in Basra’.



- 43.** Section 9.3 describes the Sadrist uprising in Najaf in early August, and the deteriorating security situation across Iraq.
- 44.** Mr Blair concluded at the end of August that Prime Minister Allawi needed “help now”. That help included accelerating the pace of reconstruction, so that Iraqis saw improvements before the January 2005 elections.
- 45.** Mr Phillipson wrote to the Cabinet Office on 20 August to commission a:
- “... full picture of the situation in Iraq after the National Conference,<sup>18</sup> how we are going to get from here to successful elections in January, and the challenges we will face.”<sup>19</sup>
- 46.** Mr Phillipson advised that the request followed a “long discussion” the previous day with Mr Blair, who had observed that the security situation, the slow rate at which the ISF was being trained and equipped, and “ongoing difficulties” with reconstruction posed a real risk to the achievement of the UK’s objectives in Iraq.
- 47.** The British Embassy Office Basra reported by telegram on 24 August that the PCO Regional Co-ordinator had now arrived.<sup>20</sup> The Co-ordinator expected the PCO to “have an impact on the ground” in the last quarter of 2004; the British Embassy Office doubted that the PCO could meet that timeline.
- 48.** On 27 August, in response to Mr Phillipson’s commission, the IPU provided a paper for the Cabinet Office.<sup>21</sup> Mr Neil Crompton, the Head of the IPU, advised Mr Straw’s Private Office that the paper contained “little new in policy terms”.
- 49.** The IPU paper concluded that the strategy agreed by DOP on 15 July was the right one, but would require regular fine-tuning.<sup>22</sup> Its key judgements included:
- The IIG had made a good start, but needed to deliver results soon, particularly on security but also on essential services.
  - There was growing “disquiet” in the “previously benign” South, reinforced by a sense that Baghdad and the US were neglecting its interests. Politically, Basra and Maysan were paralysed by power struggles, hindering work on reconstruction and security.
  - Iraq was “awash with reconstruction funds”. The challenge was delivering quickly on the ground. Security was a major hindrance.

<sup>18</sup> From 15 to 18 August a National Conference was held to select an Iraqi Interim National Council (IINC) of 100 members to oversee the Iraqi Interim Government until the election of the Transitional National Assembly in January 2005.

<sup>19</sup> Letter Phillipson to Fergusson, 20 August 2004, ‘Iraq: Next Steps’.

<sup>20</sup> Telegram 130 Basra to FCO London, 24 August 2004, ‘southern Iraq: PCO and Saudi Development Fund’.

<sup>21</sup> Minute Crompton to Private Secretary [FCO], 27 August 2004, ‘Iraq: Next Steps’ attaching Paper IPU, 27 August 2004, ‘Iraq: Next Steps’.

<sup>22</sup> Paper IPU, 27 August 2004, ‘Iraq: Next Steps’.

**50.** The paper stated that President Bush was letting US officials in Baghdad “make the running”, and recommended that the UK focus its effort with the President on a few key areas where Washington could make a difference, including ensuring that the US did not take reconstruction in the South for granted.

**51.** The paper retained the three reconstruction objectives that DOP had agreed on 15 July (a functioning Iraqi Government, reconstruction programmes funded by others delivering quickly and well, and a reduction in subsidies and an agreed IMF programme leading to debt relief by December 2004).

**52.** Mr Phillipson passed the IPU paper to Mr Blair, after discussing it with Sir Nigel Sheinwald.<sup>23</sup> Mr Phillipson’s covering minute stated that the IPU paper was “too vague”, did not reflect the “loss of control” in Basra and elsewhere, and did not offer a clear way forward. He recalled that Mr Blair had asked for the “unvarnished truth so that we can engage in a frank discussion about how we can help the IIG restore control”.

**53.** Mr Phillipson recommended that a new paper should be commissioned, broken into three sections:

- how to ensure that the elections took place, on time, in January 2005;
- how the Sunni triangle could be brought “back under control”; and
- how order could be restored in Basra.

**54.** Mr Phillipson continued that one aspect of the effort to bring the Sunni triangle back under control should be “a short-term programme of intensive reconstruction to make a visible impact to people’s lives – a Sunni outreach programme”.

**55.** Mr Blair set out his analysis of the issues in a note to Sir Nigel Sheinwald, Mr Phillipson, Mr Jonathan Powell (No.10 Chief of Staff) and a junior member of his No.10 staff on 29 August.<sup>24</sup> He wrote:

“Our strategy is fine in one sense: Iraqiisation of security and support for the democratic political process. The problem is that the urgency of the situation may overwhelm us and make our timelines for Iraqiisation naïve.

“The fact is Allawi needs help now; and there has to be a clear sense of our gripping the situation now.”

**56.** Mr Blair identified nine immediate actions, including:

- providing Prime Minister Allawi with “first-class political, media and strategic capability ... now”, drawing on “the best home-grown Iraqi talent” supported by “our own people” who should be “hand-picked” immediately;

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<sup>23</sup> Minute Phillipson to Prime Minister, 27 August 2004, ‘Iraq: Next Steps’.

<sup>24</sup> Minute Prime Minister to Sheinwald, 29 August 2004, ‘Iraq’.

- examining DFID’s assistance to key Iraqi ministries, in particular defence,<sup>25</sup> “to ensure real robustness and ... if necessary, our people put in”; and
- unblocking funding for reconstruction, in the Sunni triangle and elsewhere, as the “key to winning hearts and minds”.

**57.** Mr Blair concluded:

“When I meet Allawi in September, it should be with a coherent plan to change the situation.”

**58.** Mr Benn visited Iraq from 31 August to 1 September, despite significant security concerns.<sup>26</sup> He reported to Mr Blair on 3 September that despite worsening security, some progress was being made:

“But the pace of reconstruction is still too slow ...

“DFID’s approach of encouraging the international system to help rebuild Iraq and working through bilateral programmes at the national level (to build capacity in key ministries) and in the South (to help create jobs, renew infrastructure and reduce poverty) is still right. But I will want to see substantial progress on spending and delivery before committing any more to the [World Bank and UN] Trust Funds. I have therefore concentrated on new bilateral programmes this financial year.”<sup>27</sup>

**59.** Mr Benn reported that, while in Iraq, he had announced new funding for projects in the South to respond to critical needs in essential services and create jobs and build capacity in the four southern Governorates. The MOD had also secured additional funding for QIPs.

**60.** Mr Benn concluded: “We will need to stay flexible in responding to changing circumstances.”

**61.** The projects referred to by Mr Benn were the £16.5m southern Iraq Employment and Service Programme (SIESP) and the £20.5m Governorates Capacity Building Project.<sup>28</sup>

**62.** On 3 September, at the request of the MOD, the Current Intelligence Group (CIG) assessed the impact of the recent Shia violence on the situation in MND(SE).<sup>29</sup>

<sup>25</sup> Support to the Iraqi Ministry of Defence was provided by the MOD.

<sup>26</sup> Letter Gibbons to Simpson, 23 August 2004. ‘Ad Hoc RMV – Hilary Benn’s Visit to Iraq’.

<sup>27</sup> Letter Benn to Prime Minister, 3 September 2004, ‘My Visit to Iraq’.

<sup>28</sup> Paper DFID, 4 November 2009, ‘Iraq – DFID Timeline and Financial Commitments: 2003 – 2009’.

<sup>29</sup> CIG Assessment, 3 September 2004, ‘Iraq Security: Shia Violence in Multinational Division (South East)’.

**63.** The CIG judged that the situation in MND(SE) remained “fragile” and that there had been considerable loss of public support for the MNF. Most Shia were likely to continue to support the political process, but their consent depended on expectations being met, including elections held on schedule and a government that reflected their majority status.

**64.** A continuing failure to improve public order, restore public services or create jobs would also increase disillusionment, risking renewed unrest.

**65.** During Mr Benn’s visit to Iraq, officials in the British Embassy Office Basra raised concerns over the operation of the World Bank and UN Trust Funds.<sup>30</sup>

**66.** DFID responded to those concerns on 6 September:

“Basra are right that getting PCO and Trust Fund programmes moving faster is critical, but not that our contribution to the Trust Funds is pointless.”

**67.** The Trust Funds had several purposes:

- to deliver reconstruction on the ground;
- to allow donors to pool resources and streamline procedures. This reduces their overheads, and gives the Iraqis fewer donors with their own priorities and procedures to negotiate with; and
- to encourage the UN and the World Bank to re-engage”.

**68.** The World Bank and the UN had now started disbursing money from the Trust Funds, and the Iraqi Minister for Planning and Development Co-ordination had told Mr Benn that he was “much happier” with collaboration with the World Bank and UN.

**69.** DFID concluded the Trust Funds had been set up “to deliver medium-term benefits to Iraq rather than quick fixes”. The test now was delivery.

**70.** On 9 September, Sir Nigel Sheinwald and Mr David Quarrey, a Private Secretary to Mr Blair, sent Mr Blair a minute reporting on their recent visit to Iraq, for use in Mr Blair’s video conference with President Bush later that day.<sup>31</sup>

**71.** The minute stated that a “joined up programme” was needed, including:

- an effective counter-insurgency strategy to “regain control of cities in the Sunni triangle”;
- an IIG strategy for Sunni outreach;
- support for Prime Minister Allawi’s office; and

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<sup>30</sup> Telegram 1 DFID to FCO Baghdad, 6 September 2004, ‘Southern Iraq: Trust Funds’.

<sup>31</sup> Minute Sheinwald and Quarrey to Blair, 9 September 2004, ‘Iraq’.

- economic development. DFID was making good progress “in helping to get the economic framework right. But hardly anyone thinks that the ordinary Iraqi will see a major dividend before the elections in January.”

**72.** During his visit, Sir Nigel met Prime Minister Allawi, who stated that the political, economic and capacity-building strands were linked; he hoped for significant progress in each before November.<sup>32</sup> A copy of the record of that meeting was sent to Mr Benn’s Principal Private Secretary.

**73.** Mr Benn told Cabinet on 9 September that during his visit to Baghdad and Basra, he had been able to “feel the difference” since the transfer of sovereignty.<sup>33</sup> Sunni outreach was needed in the South, where the mood was one of “persistent victimisation”. Reconstruction activity was continuing, but had been adversely affected by the security situation.

**74.** During his video conference with President Bush on 9 September, Mr Blair raised both the need to accelerate Iraqisation and for enhanced capacity within the IIG, without which “too much fell on Allawi himself”.<sup>34</sup> The existing timelines for improved security and services were “too long” and risked delaying the election.

**75.** Mr Quarrey wrote to Mr Benn’s Principal Private Secretary on 14 September, responding to Mr Benn’s 3 September visit report:

“The Prime Minister believes that we must continue to do all we can on this [reconstruction], and particularly to make sure that ordinary Iraqis see a more tangible benefit before the elections. We have a particular responsibility to deliver in the South. We agree that it is sensible to focus UK resources on bilateral programmes while the multilateral Trust Funds remain ineffective.”<sup>35</sup>

**76.** Mr Blair chaired a meeting of the Ad Hoc Ministerial Group on Iraq on 16 September.<sup>36</sup>

**77.** Mr Blair’s Chairman’s Brief stated that one purpose of the meeting was to:

“... **galvanise the key departments** and ensure they give Iraq their full attention in the next 5 months, in order to **achieve the necessary results on the ground in the run-up to elections**”.<sup>37</sup>

<sup>32</sup> Letter Quarrey to Owen, 9 September 2004, ‘Iraq: Nigel Sheinwald’s Meeting with Allawi, 8 September’.

<sup>33</sup> Cabinet Conclusions, 9 September 2004.

<sup>34</sup> Letter Phillipson to Adams, 9 September 2004, ‘Prime Minister’s VTC with President Bush, 9 September’.

<sup>35</sup> Letter Quarrey to Malik, 14 September 2004, ‘Iraq: Your Secretary of State’s Visit’.

<sup>36</sup> Record, 16 September 2004, Ad Hoc Ministerial Group on Iraq meeting.

<sup>37</sup> Briefing Cabinet Office, 16 September 2004, ‘Ad Hoc Ministerial Group on Iraq meeting to be held in the Cabinet Room on Thursday 16 September 2004 at 0830: Chairman’s Brief’.

**78.** The Group agreed that the MOD, DFID and the FCO would produce specific suggestions for how progress could be made in Iraq which Mr Blair could put to President Bush when they next spoke:

- MOD to make recommendations on how ISF capacity will develop ...
- DFID to advise on where blockages can [be] removed to speed up the impact of reconstruction funding.
- FCO to advise on what political strategy Allawi should be pursuing and his capacity to deliver it.”<sup>38</sup>

**79.** Sir Nigel Sheinwald met Dr Rice during his visit to Washington from 16 to 17 September.<sup>39</sup> He reported to Mr Blair that he had raised the continuing criticisms of the pace of the US reconstruction effort. Dr Rice had said that she did not understand why, after many enquiries, there were still blockages. Sir Nigel commented that “there was no sense that the NSC [National Security Council] was chasing this down, or that anyone else was”.

**80.** Prime Minister Allawi visited London on 19 and 20 September.<sup>40</sup>

**81.** Mr Quarrey’s briefing for Mr Blair advised that he might:

- offer whatever support Prime Minister Allawi needed for his office;
- encourage him to see reconstruction and development as “integral to his wider political strategy”;
- encourage him to associate the IIG very visibly with successes on the ground;
- reassure him of UK support for debt relief. Iraq might not get the 95 percent relief that the IIG and US were pushing for, but the UK wanted relief to be well above 80 percent; and
- encourage him to press the UN and Member States for a substantial increase in support.<sup>41</sup>

**82.** During his private meeting with Mr Blair on 19 September, Prime Minister Allawi outlined his four-point strategy for Iraq covering the political process, the economy, security (the most important aspect of the strategy and his personal focus) and institution building.<sup>42</sup>

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<sup>38</sup> Record, 16 September 2004, Ad Hoc Ministerial Group on Iraq meeting.

<sup>39</sup> Minute Sheinwald to Prime Minister, 20 September 2004, ‘Visit to Washington’.

<sup>40</sup> Letter Sheinwald to Adams, 19 September 2004, ‘Iraq: Prime Minister’s Meeting with Prime Minister Allawi, Sunday 19 September’.

<sup>41</sup> Minute Quarrey to Prime Minister, 18 September 2004, ‘Iraq: Your Meeting with Allawi’ attaching Briefing Cabinet Office, [undated], ‘Briefing Notes for Allawi Visit’.

<sup>42</sup> Letter Sheinwald to Adams, 19 September 2004, ‘Iraq: Prime Minister’s Meeting with Prime Minister Allawi, Sunday 19 September’.

- 83.** Mr Blair asked Prime Minister Allawi whether he had the “infrastructure” around him to implement IIG policy. Prime Minister Allawi agreed there was a problem. Mr Blair said that the UK would send “two or three people” to Baghdad to work on the issue. On reconstruction, Mr Blair said that each project needed to be properly publicised as an achievement of the IIG and Prime Minister Allawi.
- 84.** Mr Blair, Prime Minister Allawi and several Iraqi Ministers discussed reconstruction and the economy over lunch.<sup>43</sup> The Iraqi delegation said that there had been good progress on reconstruction in recent months, but the pace of delivery was still far too slow. Nor were donors delivering on their commitments to the World Bank and UN Trust Funds. Mr Blair said that there needed to be absolute clarity on where the blockages on funding were.
- 85.** Prime Minister Allawi stressed the need for a generous debt reduction package that would encourage foreign investment, and asked the UK to play a major role in the Iraq Grand Port project on the Faw peninsula.
- 86.** An Iraqi delegation led by Prime Minister Allawi held a roundtable meeting on reconstruction with Mr Straw, Mr Benn and Mr Hoon on 20 September.<sup>44</sup>
- 87.** The FCO reported that Prime Minister Allawi’s main theme had been the importance of progress on reconstruction and its link to security.
- 88.** Mr Mehdi Hafez, Iraqi Minister of Planning and Development Co-ordination, outlined progress towards an agreement on debt relief. Mr Benn emphasised the importance of reducing fuel subsidies if Iraq was to secure an IMF programme. Mr Hafez said that the IIG was committed to reducing subsidies (which he estimated to account for 50 percent of government expenditure), but there were political sensitivities.
- 89.** During a discussion of the World Bank and UN Trust Funds, Mr Benn encouraged Prime Minister Allawi to press the UN to deploy staff to Iraq and to speed up disbursements from their Trust Fund. The Iraqi delegation said that the reluctance of the World Bank and IMF to engage raised questions about the value of multilateral (as opposed to bilateral) assistance. Mr Benn said that “DFID was concentrating on bilateral projects with 2004/05 money”. Mr Hafez confirmed that the IIG was content with the DFID programme.
- 90.** DFID sent the note on how to speed up reconstruction funding requested at the 16 September meeting of the Ad Hoc Ministerial Group on Iraq to No.10 on 23 September, to inform a telephone conversation between Mr Blair and President Bush the following day.<sup>45</sup>

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<sup>43</sup> Letter Quarrey to Owen, 19 September 2004, ‘Iraq: Prime Minister’s Lunch with Allawi, 19 September’.

<sup>44</sup> Telegram 73 IPU to Baghdad, 20 September 2004, ‘Iraq: Visit of Allawi: Meeting with Foreign Secretary, Mr Benn and Mr Hoon’.

<sup>45</sup> Letter Drummond to Quarrey, 23 September 2004, ‘VTC with President Bush’ attaching Briefing DFID, [undated], ‘Prime Minister’s Video-Conference with President Bush’.

**91.** The DFID note advised that:

- Iraq's infrastructure had now been "stabilised" and some improvements had been made. But Iraqi citizens did not see that; it was vital for security that visible progress was made fast, and that the IIG told Iraqi citizens what was being achieved.
- There were "very few" PCO staff in the South. Could the US speed up the deployment of PCO staff, and give USAID a bigger role?
- Iraqi systems were not yet working. The US and UK needed to press Prime Minister Allawi to get Iraqi oil revenues into the provinces, and press the UN and World Bank to deploy experts.

**92.** Mr Quarrey's briefing for Mr Blair suggested that he could refer to Prime Minister Allawi's concern about the pace of delivery on reconstruction.<sup>46</sup>

**93.** In a telephone conversation with President Bush on 24 September, Mr Blair set out three priority issues, as discussed with Prime Minister Allawi:

- the need to strengthen Prime Minister Allawi's office;
- accelerating work to show the ISF had capacity to act; and
- increasing the pace of development activity.<sup>47</sup>

**94.** On 1 October, in response to a request for advice from Mr Benn's Private Secretary on the World Bank and UN Trust Funds, a DFID official advised that:

"... implementation is proceeding, but not as quickly as we would wish or had anticipated when we decided to contribute to them in February".<sup>48</sup>

**95.** There was as yet insufficient evidence to decide whether DFID should make further contributions to the Trust Funds. Equally, withdrawing UK funds from the Trust Funds would be difficult to justify and would undermine UK efforts to persuade other donors (especially those not present on the ground in Iraq) to contribute to the reconstruction effort.

**96.** Iraqi Deputy Prime Minister Dr Barham Salih presented the IIG's National Development Strategy (NDS) at the third meeting of the International Reconstruction Fund Facility for Iraq (IRFFI) Donor Committee in Tokyo on 14 October.<sup>49</sup>

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<sup>46</sup> Minute Phillipson to Prime Minister, 23 September 2004, 'Phonecall with President Bush, 24 September'.

<sup>47</sup> Letter Quarrey to Owen, 24 September 2004, 'Prime Minister's Phone Conversation with President Bush, 24 September'.

<sup>48</sup> Minute DFID [junior official] to DFID [junior official], 1 October 2004, 'Iraq Trust Funds: Secretary of State's Conversation with Ann Clwyd MP'.

<sup>49</sup> Telegram 181 Tokyo to FCO London, 15 October 2004, 'Iraq: Tokyo Donor Committee Meetings, 13-14 October'.



**97.** The NDS set out the social and economic reforms that the IIG intended to pursue, but did not prioritise those reforms or include plans for their implementation.<sup>50</sup>

**98.** Dr Salih told the meeting that this was the first time a sovereign Iraqi Government had presented its own vision of Iraq's future to the international community.<sup>51</sup> Iraq needed a quick agreement on debt relief and faster implementation of pledges made by donors at the Madrid Donor Conference, in line with the priorities outlined in the NDS.

**99.** The IMF and World Bank presented a “relatively positive” assessment of Iraq's economy, including higher than expected oil revenues.

**100.** At the meeting, Mr Jim Drummond, DFID Director Iraq, underlined the importance of Iraqi leadership of the reconstruction process, urged faster disbursement from the World Bank and UN Trust Funds, and encouraged more donors to contribute to them.

**101.** The British Embassy Tokyo reported that the international community had come together behind “a good Iraqi-led strategy”. Germany and France had engaged “more than previously, but not yet with significant support”. There had been no significant new pledges, but that was not surprising given the US\$32bn pledged at Madrid and rising Iraqi oil revenues.

**102.** Mr Quarrey described the meeting to Mr Blair as “important and successful”.<sup>52</sup> In response, Mr Blair asked for a DFID paper on how the UK could ensure that the meeting led to a visible acceleration in the delivery of reconstruction on the ground.<sup>53</sup>

**103.** The IIG's successor, the Iraqi Transitional Government (ITG), launched a revised NDS in July 2005.

## Reconstruction in areas regained from insurgent control, and Fallujah

**104.** Section 9.3 describes how, in the autumn of 2004, the IIG and the Multi-National Force – Iraq (MNF-I) reviewed the possibility of further military action to gain control of Fallujah from the Sunni insurgency, including the debate between the US and UK on how and when to take action.

**105.** A DFID official advised Mr Benn in advance of the 14 October meeting of the Ad Hoc Ministerial Group on Iraq that the FCO and “UK military” were arguing against an early clearance operation in Fallujah and for a “hybrid of security (cordon, precision strikes) and political/economic initiatives ... and giving these time to work”.<sup>54</sup>

<sup>50</sup> The Iraqi Strategic Review Board, September 2004, *National Development Strategy 2005-2007*.

<sup>51</sup> Telegram 181 Tokyo to FCO London, 15 October 2004, ‘Iraq: Tokyo Donor Committee Meetings, 13-14 October’.

<sup>52</sup> Minute Quarrey to Blair, 15 October 2004, ‘Iraq Update’.

<sup>53</sup> Letter Quarrey to Naworynsky, 18 October 2004, ‘Iraq’.

<sup>54</sup> Minute DFID [junior official] to APS/SoS [DFID], 13 October 2004, ‘Iraq: Ad Hoc Ministerial Group Meeting on 14 October’.

**106.** Mr Benn was also advised that there had been a “breakthrough” in the relationship between the PCO and DFID in the South, with the PCO accepting and welcoming the Technical Advisory Team (TAT). After many delays, the PCO had begun work in the South.

**107.** Following talks in London, DFID was also seeking to work more closely with MND(SE), to “synchronise” UK reconstruction and security efforts. MND(SE) was “struggling” to disburse its QIPs and CERPs funds (totalling US\$25m), largely because of a lack of capacity. The TAT might be able to assist. A DFID team would visit Basra to continue discussions.

**108.** The 14 October meeting of the Ad Hoc Ministerial Group on Iraq was briefed that the US military was planning military action in Fallujah.<sup>55</sup>

**109.** The Ad Hoc Ministerial Group on Iraq agreed that an operation to clear Fallujah was right in principle but the UK should try to persuade the US to give Prime Minister Allawi time to improve the political environment.

**110.** Mr Chaplin reported by telegram on the same day that the US planned to spend US\$3.4bn on “rapid reconstruction” in 18 “strategic cities” (defined as major population or religious centres and real or potential areas of insurgency) in the run-up to the Iraqi elections, including US\$1.4bn in Baghdad and US\$316m in Basra.<sup>56</sup> The US had allocated US\$75m for Fallujah, but all work there was currently suspended. The initiative covered PCO, USAID and CERPs projects.

**111.** Mr Chaplin’s report prompted Mr Blair to request an update on developments in Najaf.<sup>57</sup> Mr Quarrey directed that request to the Cabinet Office.<sup>58</sup>

**112.** Sir Nigel Sheinwald and Dr Rice discussed Iraq on 22 October.<sup>59</sup> Sir Nigel reported that they had agreed that not enough was being done in towns where the IIG had regained control from insurgents. Dr Rice had said that she had (again) asked the NSC to find out why reconstruction funding was moving so slowly.

**113.** Mr Blair discussed progress on reconstruction, especially in key cities after military action, with Prime Minister Allawi by telephone on the same day.<sup>60</sup> Prime Minister Allawi said that effective reconstruction would have a positive impact on the security situation. Mr Blair agreed and said he would mention it to President Bush. Mr Quarrey’s record of the conversation was copied to Mr Benn’s Principal Private Secretary.

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<sup>55</sup> Record, 14 October 2004, Ad Hoc Ministerial Group on Iraq meeting.

<sup>56</sup> Telegram 280 Baghdad to FCO London, 14 October 2004, ‘Iraq: Reconstruction Projects in Strategic Cities’.

<sup>57</sup> Letter Quarrey to MOD [junior official], 18 October 2004, ‘Iraq’.

<sup>58</sup> Letter Quarrey to MOD [junior official], 18 October 2004, ‘Iraq’.

<sup>59</sup> Letter Sheinwald to Adams, 22 October 2004, ‘Conversation with US National Security Adviser, Friday 22 October’.

<sup>60</sup> Letter Quarrey to Wilson, 22 October 2004, ‘Iraq: Prime Minister’s Conversation with Allawi, 22 October’.

**114.** Mr Quarrey passed the Cabinet Office’s paper on reconstruction in Najaf and other key cities and the DFID paper on how to accelerate reconstruction on the ground in the wake of the Tokyo Donor Conference to Mr Blair on 22 October.<sup>61</sup>

**115.** The Cabinet Office paper concluded that “the general impression is that, as yet, there is no systematic or co-ordinated approach to these key cities”.<sup>62</sup> It identified a number of lessons, including:

- It was possible for political deals to hold long enough for the IIG/PCO to deliver enough reconstruction to start building public support and discredit the insurgents.
- There needed to be a sufficient continuing ISF presence for the IIG to remain in control and to facilitate reconstruction.
- IIG and to some extent PCO capacity to deliver reconstruction quickly was very limited. CERPs delivered impact most quickly.

**116.** The DFID paper on the follow-up to the Tokyo donors meeting advised that while the procedural obstacles to spending US and Trust Fund allocations had largely been overcome, the security situation was worse.<sup>63</sup> To “get round” that problem, there was now a greater emphasis on using Iraqi systems and contractors. In that context, to accelerate the pace of reconstruction, the UK needed to:

- Persuade the World Bank and UN at the top level to move fast, and to send development specialists to Iraq. Mr Benn had lobbied the UN Secretary-General Kofi Annan on 19 October.
- Provide funding and security for World Bank and UN liaison staff. DFID funded and housed one liaison officer for each of the World Bank and UN in Baghdad, and was considering funding a UN liaison officer in Basra.
- Support the PCO. The Head of the US Iraq Reconstruction and Management Office (IRMO) had told the UK that he wanted to work closely with the UK, but that he did not want UK staff in the PCO.

**117.** Mr Quarrey commented on the DFID paper:

“Lots of good points here about the UN and World Bank. But nothing on our bilateral programme and what more we might be able to do with that ...”<sup>64</sup>

<sup>61</sup> Minute Quarrey to Prime Minister, 22 October 2004, ‘Iraq Reconstruction’.

<sup>62</sup> Paper Cabinet Office, 22 October 2004, ‘Iraq: Developments in Key Cities’.

<sup>63</sup> Paper DFID, [undated], ‘Tokyo Follow-up’.

<sup>64</sup> Minute Quarrey to Prime Minister, 22 October 2004, ‘Iraq Reconstruction’.

**118.** Mr Quarrey commented on the Cabinet Office paper:

“Not an encouraging picture ... It looks like we are a long way from the sort of integrated political/security/reconstruction packages for these key cities that we, the US and Allawi keep talking about.

“We must do better on this. The lack of any reference in the DFID note to this key issue is striking.”

**119.** Mr Blair replied: “We need to get tougher with DFID on this. Let me minute Hilary [Benn]. It’s not good enough.”<sup>65</sup>

**120.** Major General Andrew Farquhar, the British Deputy Commanding General of Operations in the Multi-National Corps – Iraq (MNC-I), reported on 24 October that the US had allocated US\$7m from CERPs for projects in the immediate aftermath of military operations in Fallujah.<sup>66</sup>

**121.** Mr Blair wrote to Mr Benn on 26 October:

“I remain concerned that actual delivery of reconstruction on the ground is far too slow ...

“We must accelerate the pace of reconstruction, not least to support the political process as we head towards the elections. The note [on the Tokyo donors meeting] includes some good ideas on pressing the UN and World Bank. But we also need to increase the impact of your bilateral programme in the short term. And we need to find more effective ways of getting the US to spend their funds more quickly and with greater impact.

“I am particularly concerned about the lack of follow-through on reconstruction in those cities and towns where the IIG, with MNF support, has regained control from insurgents (e.g. Najaf, Samarra, Tal Afar). These are, of course, not in the MND(SE) region where our spending is concentrated. But DFID has considerable experience of post-conflict situations which I would like to see us using across Iraq.”<sup>67</sup>

**122.** Mr Hoon briefed the 28 October meeting of the Ad Hoc Ministerial Group on Iraq on US military plans for a “short, sharp campaign” in Fallujah.<sup>68</sup>

**123.** At the meeting, Mr Benn said that DFID continued to press the PCO, but a recent proposal to second a UK development adviser to the PCO had been turned down by the US. It was difficult for the UK to offer additional assistance in cities like Fallujah “as the US was already engaged and sufficient funds were available”.

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<sup>65</sup> Manuscript comment Blair on Minute Quarrey to Prime Minister, 22 October 2004, ‘Iraq Reconstruction’.

<sup>66</sup> Telegram 301 Baghdad to FCO London, 24 October 2004, ‘Iraq: Fallujah: Military Preparations: ISF Numbers and Capability’.

<sup>67</sup> Minute Prime Minister to Secretary of State for International Development, 26 October 2004, [untitled].

<sup>68</sup> Minutes, 28 October 2004, Ad Hoc Ministerial Group on Iraq meeting.

**124.** Mr Benn reported that he had spoken to UN Secretary-General Annan, and thought it unlikely the UN would deploy more staff to Iraq before the elections (the UN currently had two officers in Iraq, one supported by DFID).

**125.** Mr Benn said that he would be happy to help the MOD with funding for QIPs if it was better able to implement projects than civilian experts.

**126.** Cabinet Office, DFID, FCO and MOD officials met on the same day to consider, at No.10's request, how to "push forward" PCO reconstruction efforts.<sup>69</sup> The meeting agreed that the UK should:

- increase efforts to monitor PCO activity across Iraq, although with a focus on MND(SE); and
- make an "open-ended" offer of support to the US for PCO programmes across Iraq (not just in the South).

**127.** By 29 October, preliminary airstrikes against targets in the Fallujah area had begun.<sup>70</sup>

**128.** Mr Quarrey advised Mr Blair on 2 November that "planning for the post-conflict phase remains inadequate, and the US now seem resigned to this".<sup>71</sup>

**129.** A DFID official based in Basra advised Mr Drummond on 3 November that PCO projects in the South remained "almost invisible" to the general public, and that Iraqi engagement in and influence on PCO operations appeared to be minimal.<sup>72</sup>

**130.** Mr Blair met Prime Minister Allawi in Brussels on 5 November.

**131.** In preparation for the meeting, Mr Quarrey provided a list of "points that Allawi needs to cover before he approves any military action" in Fallujah.<sup>73</sup> Those included "the follow-up package of political and economic measures". The US said they had funding ready, but the IIG's own preparations looked inadequate. Prime Minister Allawi had to take responsibility for those preparations.

**132.** At the meeting, Mr Blair said that:

"... he [Prime Minister Allawi] knew the military commanders were keen to move now. But it was vital that we balanced the political and military priorities. Unless there was an argument for an immediate move, then he believed we needed to take

<sup>69</sup> Letter Cabinet Office [junior official] to Drummond, 28 October 2004, 'Iraq: Monitoring and Accelerating PCO Disbursement'.

<sup>70</sup> Minute Dowse to Sheinwald, 29 October 2004, 'Iraq Update – 29 October'.

<sup>71</sup> Minute Quarrey to Prime Minister, 2 November 2004, 'Fallujah'.

<sup>72</sup> Minute DFID [junior official] to Drummond, 3 November 2004, 'PCO'.

<sup>73</sup> Minute Quarrey to Blair, 4 November 2004, 'Iraq: Breakfast with Allawi'.

the necessary time to exhaust all avenues of dialogue with the Sunnis ... We also needed to set out a package of reconstruction measures.”<sup>74</sup>

**133.** Following authorisation by Prime Minister Allawi, offensive operations began in Fallujah on 8 November.<sup>75</sup>

**134.** Mr Chaplin described the UK’s involvement in that decision for the Inquiry:

“Our main involvement and the main thing we emphasised afterwards was that if there had to be military action, then the [Iraqi] Government needed to organise itself to ensure there was rapid follow-up, looking after displaced people, returning them as soon as possible, looking after the humanitarian aspects. And the part of the DFID team that was working closely with the Ministry of Health was heavily involved in that ...”<sup>76</sup>

**135.** Mr Benn replied to Mr Blair’s letter of 26 October on 10 November.<sup>77</sup> He wrote:

“I share many of your concerns about the pace of reconstruction and development in Iraq. However, we should take encouragement from the Iraqi Interim Government’s National Development Strategy, the extra resources (about US\$3bn) that the high oil price gives them, and the new arrangements that Allawi is making in his own office, with DFID advice, to lead reconstruction ...

“Security is much more difficult than we anticipated and is getting worse around Baghdad. Many contractors, including those that we regularly use to work in post-conflict environments such as Crown Agents, are unwilling to send staff outside Baghdad or Basra at present. This is affecting all donors. But we can do more. Our £6m employment generation project will start to create jobs this month ... I have also allocated £10m to support essential services – water, sanitation and power – in South-Eastern Iraq. We will top this up if necessary. We are working closely with UK forces: DFID’s technical expertise is available to help them implement their Quick Impact Projects, and military liaison teams will help us to make our projects happen. We will talk to MOD about resources, as we look for other ways to maximise impact.”

**136.** Mr Benn also highlighted DFID’s support for the elections, and his decision not to channel further funds through the UN and World Bank Trust Funds.

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<sup>74</sup> Letter Phillipson to Adams, 5 November 2004, ‘Iraq: Prime Minister’s Discussion with Iyad Allawi, 5 November 2004’.

<sup>75</sup> *CNN World*, 9 November 2004, *Battle for Falluja under way*.

<sup>76</sup> Public hearing, 7 December 2010, page 19.

<sup>77</sup> Letter Benn to Blair, 10 November 2004, [untitled].

**137.** On Mr Blair's suggestions that the UK needed to find more effective ways of getting the US to spend its funds more quickly and with greater impact, and that DFID should use its experience of post-conflict situations across Iraq (not just in the South), Mr Benn responded:

“We will get closer to the Project Contracting Office (PCO). Our Basra sector specialists are working with the PCO there, and the DFID Office in Baghdad has close relations with PCO counterparts in Baghdad, including the new (good) head, Bill Taylor. He has declined our offer of a senior reconstruction specialist but we are offering technical help instead. This could help the PCO implement effective reconstruction projects in areas where the Iraqi Interim Government regains control from the insurgents.”

**138.** Mr Benn's reply highlighted a number of decisions taken before Mr Blair wrote his letter:

- DFID's projects to create jobs and provide essential services in the South had been announced in early September.
- The decision not to channel further funds through the UN and World Bank Trust Funds had also been made in early September.
- DFID's work with MND(SE) to help implement QIPs was under way by 13 October.

**139.** The FCO advised the British Embassy Baghdad on 15 November that, following the meeting of officials on 28 October which had agreed that the UK should make an open-ended offer of support to the PCO, DFID had confirmed that it could provide:

- technical expertise (for example a water or health expert); and
- expertise on post-conflict reconstruction, to help deliver reconstruction in cities and towns where the IIG had regained control.<sup>78</sup>

**140.** On 16 November, following a visit to Fallujah, Lieutenant General John Kiszely, the Senior British Military Representative, Iraq, reported to the MOD and IPU that the scale of the damage to buildings dramatically outstripped the figures that the US had used in its press statement.<sup>79</sup> Soldiers in Fallujah had told him that between 90 and 95 percent of civilians had left before the fighting had started.

**141.** General George Casey, MNF-I, had decreed that MNF-I's main effort should be humanitarian assistance and reconstruction, and had appointed Lt Gen Kiszely “in charge of reconstruction”.

<sup>78</sup> Telegram 126 FCO London to Baghdad, 15 November 2004, ‘Iraq Reconstruction: UK Assistance for the PCO’.

<sup>79</sup> Minute Crompton to Private Secretary [FCO], 16 November 2004, ‘Iraq: Fallujah’.

**142.** Mr Crompton reported to Mr Straw's Private Secretary that Lt Gen Kiszely was "calm, but clearly taken aback by the damage he had seen". The IPU was:

"... in touch with DFID to see whether they can assist with the humanitarian effort, and are feeding in some ideas to Kiszely on how best to approach the reconstruction task, using lessons learnt in Kosovo and elsewhere".

**143.** The Annotated Agenda for the 18 November meeting of the AHMGIR reported Lt Gen Kiszely's conclusions, and that the Red Cross and Red Crescent were being allowed into the city.<sup>80</sup> At least US\$58m had been earmarked for reconstruction. The IIG estimated that there were 250,000 Internally Displaced People (IDPs) from Fallujah, about 95 percent of whom were staying with family or friends. The Iraqi Ministry of Health reported that there were "no major humanitarian problems".

**144.** The Annotated Agenda stated that Prime Minister Allawi had established a Cabinet Reconstruction Committee, whose first tasks would be to co-ordinate reconstruction spending in cities won back from insurgent control and to spend US\$200m of Iraqi money for emergency reconstruction in the period up to the elections. DFID advisers were "linked in well" and assisting the Committee.

**145.** The Annotated Agenda also stated that the PCO had declined DFID's offer to "second a senior reconstruction specialist or more technical help in Baghdad".

**146.** Gen Walker told the meeting there had been a slow start to reconstruction in Fallujah.<sup>81</sup> That was a failure of the IIG and, in part, non-military US agencies. There was no indication of an immediate humanitarian crisis.

**147.** Mr Benn said that he was prepared to provide Lt Gen Kiszely with a reconstruction adviser, if one was required.

**148.** Mr Benn reported that more generally, security remained a significant constraint on reconstruction, but that DFID programmes were progressing relatively well.

**149.** The AHMGIR agreed that:

- DFID and the FCO should press the UN to deploy a senior, full-time development expert to Baghdad;
- DFID and the FCO should keep pressing the PCO for credible information on reconstruction projects;
- Mr Straw and Mr Blair should speak to their French counterparts about the importance of agreeing a Paris Club debt deal;
- Mr Benn should prepare a note on reconstruction activity in MND(SE) and on wider reconstruction issues; and
- the FCO and DFID should prepare a note on why the PCO was proving slow to deliver reconstruction.

<sup>80</sup> Annotated Agenda, 18 November 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>81</sup> Minutes, 18 November 2004, Ad Hoc Group on Iraq Rehabilitation meeting.



**150.** Sir Nigel Sheinwald spoke to Dr Rice later that day, and expressed his concern that humanitarian and reconstruction efforts in Fallujah had been slow to get off the ground.<sup>82</sup> He reported that Dr Rice shared that concern, but thought that some humanitarian assistance was now getting into the city, and “everyone was adamant” that there was no humanitarian crisis.

**151.** The FCO advised No.10 on 19 November that there were “plenty of resources available” for Fallujah’s reconstruction.<sup>83</sup> The IIG’s response was poorly co-ordinated. The UK would monitor the IIG’s response, and would feed in advice on the best way to reconstruct houses damaged in the fighting. The UK had advised Lt Gen Kiszely that the most effective approach would be to give each family a sum of money “for them to go and see to the re-building themselves”. That approach, used in Kosovo, would ensure that the money was ploughed back into the Fallujah economy and secure residents’ “buy-in” to reconstruction.

**152.** In his weekly report to Gen Walker on 21 November, Lt Gen Kiszely advised that planning for reconstruction was “well developed” within the US Embassy, led by IRMO, but almost none had taken place in the IIG.<sup>84</sup> Prime Minister Allawi was now “cracking the whip”, which should lead to greater Iraqi Ministerial engagement. With so few inhabitants in the city, there was no humanitarian crisis, and the “vast majority” of displaced people had found accommodation with extended family or friends. There were some small tented camps around Fallujah, to which NGOs were delivering supplies. The immediate priorities were to clarify the situation and co-ordinate activity; in the absence of the IIG, that fell to MNF-I.

**153.** Lt Gen Kiszely also advised that his appointment as “MNF-I co-ordinator for humanitarian assistance and reconstruction” had been prompted by Gen Casey’s concern about the scale of the humanitarian and reconstruction challenge.

**154.** Lt Gen Kiszely told the Inquiry:

“... by the end of November/early December, it was quite clear that this [military] operation was going to be successful. And the big concern for the Americans was what was going to happen afterwards: was this going to be a microcosm, if you like, of the campaign as a whole in which the reconstruction phase was not properly planned for, or were they going to ensure that it was properly planned and managed? And they very much focused on getting this right.”<sup>85</sup>

<sup>82</sup> Letter Sheinwald to Adams, 18 November 2004, ‘Conversation with US National Security Adviser: 18 November 2004’.

<sup>83</sup> Letter Owen to Phillipson, 19 November 2004, ‘Iraq: the Political Process – Prospects for Elections and Sharm El-Sheikh’.

<sup>84</sup> Minute Kiszely to CDS, 21 November 2004, ‘SBMR-I’s Weekly Report (138) of 21 Nov 04’.

<sup>85</sup> Public hearing, 14 December 2009, page 16.

**155.** President Bush and Mr Blair spoke by video conference on 30 November. Mr Blair's briefing stated that he should raise Prime Minister Allawi's concern that humanitarian and reconstruction assistance was not getting into Fallujah and other key spots quickly enough.<sup>86</sup>

**156.** During the video conference, Mr Blair said that Fallujah "had gone well" and the story of what US forces had found there – including evidence of torture chambers – should be put into the public domain.<sup>87</sup> He suggested that the operation had "sent a clear message that the insurgents could not win".

**157.** The record of the video conference did not include any reference to the humanitarian and reconstruction effort in Fallujah or other "key spots".

**158.** Ms Margaret Aldred, Deputy Head Overseas and Defence Secretariat in the Cabinet Office, advised Sir Nigel Sheinwald on 1 December, in the context of a report on the situation in Fallujah, that she had received reports that a DFID adviser and a DFID-funded consultant attached to the Cabinet Reconstruction Committee were beginning to make a difference.<sup>88</sup> Those individuals had been re-deployed from within Iraq.<sup>89</sup>

**159.** A second DFID-funded consultant, Dr Gilbert Greenall, had arrived in Iraq that day to advise Lt Gen Kiszely on the phased return of IDPs to Fallujah.<sup>90</sup>

**160.** Mr Suma Chakrabarti, the DFID Permanent Secretary, and Mr Drummond reported to Mr Benn on 13 December:

"DFID provides the core of Allawi's co-ordination team on Fallujah ...

"Fallujah demonstrates that neither the IIG nor the US thought through the humanitarian aspects of military actions, though they had allocated money for reconstruction. For the next few weeks we need to have immediate post-conflict expertise in the DFID Office in Baghdad ..."<sup>91</sup>

**161.** Mr Benn told the 16 December meeting of the Ad Hoc Ministerial Group on Iraq that the IIG, with the support of DFID advisers, had put together a package of basic humanitarian support and funds for the reconstruction of homes in preparation for the return of IDPs.<sup>92</sup> Ministers agreed to follow developments closely.

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<sup>86</sup> Minute Phillipson to Prime Minister, 29 November 2004, 'VTC with President Bush, 1220 – 1300 30 November'.

<sup>87</sup> Letter Quarrey to Owen, 30 November 2004, 'Prime Minister's VTC with President Bush, 30 November: Iraq, Syria and Iran'.

<sup>88</sup> Minute Aldred to Sheinwald, 1 December 2004, 'Iraq'.

<sup>89</sup> Letter Cabinet Office [junior official] to Asquith, 3 December 2004, 'Iraq Senior Officials Group'.

<sup>90</sup> Minute Aldred to Sheinwald, 1 December 2004, 'Iraq'.

<sup>91</sup> Minute Chakrabarti/Drummond to Secretary of State [DFID], 13 December 2004, 'Iraq Visit, 6-8 December'.

<sup>92</sup> Minutes, 16 December 2004, Ad Hoc Ministerial Group on Iraq meeting.

**162.** Section 9.3 describes the impact of operations in Fallujah on security and the political process.

**163.** Five months later, on 12 May, the British Embassy Baghdad reported that Embassy staff had visited Fallujah, hosted by US forces.<sup>93</sup> The scale of destruction was apparent, but there was also progress:

- Between 90,000 and 150,000 of Fallujah’s estimated 240,000 inhabitants had returned.
- All water treatment plants, tanks and pipes had been restored and two new pumping facilities had been installed.
- Electricity had been restored to between 80 and 100 percent of the main residential area, but only to between 0 and 40 percent of the “industrial south”.
- Of the city’s 69 schools, 38 were open and 15 would open by the end of the month. “Huge progress” had been made in restoring healthcare.

**164.** The Embassy commented:

“This may be an over-rosy view of developments in Fallujah, it was a determined PR [public relations] effort, but the signs of life around the town spoke volumes. Likewise, the prominence of Iraqis throughout the visit and US willingness to let them lead was not what we had expected. Congratulations to the US Marines!”

### Lessons from Najaf

In late January 2005, Dr Greenall and another DFID-funded consultant visited Najaf to review progress since the US intervention in August 2004 and to identify lessons for future operations in Iraq.<sup>94</sup>

Their assessment was more positive than the Cabinet Office paper of 22 October 2004.

The consultants reported that although the short conflict had resulted in considerable damage, there was a “permissive environment” on the streets. That could be attributed largely to an effective post-conflict assistance strategy: US\$48m had been allocated for projects and “social payments”, with 156 projects being completed in the first 100 days after the uprising. Funding had come from CERPs, PCO funds re-directed away from large infrastructure projects, and USAID. The impact on the local economy had been substantial.

A key strength of the US military’s approach had been to engage directly with the Provincial Governor and the Mayor to ensure local ownership. The Governor remained frustrated, however, by the level of support from the Iraqi Government.

<sup>93</sup> Telegram 4393/05 Baghdad to FCO London, 12 May 2005, ‘Impressions of Fallujah: 12 May’.

<sup>94</sup> Telegram 85 Baghdad to FCO London, 3 February 2005, ‘Iraq: Post-Conflict Reconstruction Lessons from Najaf’.

Ms Lindy Cameron, the Head of DFID Baghdad, commented on the report that while Najaf was not typical of “problem cities”:

“Nevertheless, it demonstrates the importance of having in place a clear strategy for immediate post-conflict support so that the military can help civilian authorities get instant access to funds, take immediate action, get essential services running and put money into the local economy, starting a virtuous circle leading in the longer-term (as in Najaf) to a conducive environment for large infrastructure projects, re-establishment of normal market mechanisms and a benign force profile.”

There are no indications that Mr Blair or Ministers saw the report.

## Agreement on debt relief for Iraq

**165.** Section 10.3 describes the UK Government’s role in negotiations towards a deal to reduce Iraq’s debt.

**166.** On 24 September, as part of those negotiations, the Iraqi Government undertook to begin to reduce fuel subsidies by the end of the year, and to raise prices to “cost recovery levels” by the end of 2009.<sup>95</sup>

**167.** On 21 November, Paris Club creditors agreed to reduce Iraq’s official debt by 80 percent (a reduction of US\$31.1bn).<sup>96</sup> The deal would be delivered in three stages: 30 percent immediately; 30 percent on IMF approval of a Stand-By Arrangement (expected to be in 2005); and 20 percent on completion of the Stand-By Arrangement (in 2008). Paris Club creditors also agreed generous terms for the repayment of the residual debt.

**168.** Under the agreement, the UK wrote off US\$1.39bn (£954m) in Iraqi debt (£337m in UK financial year 2004/05, £337m in 2005/06 and £280m in 2008/09).<sup>97</sup>

**169.** A Treasury briefing produced for Mr Brown stated that the deal represented an important success for the international community, demonstrating an ability to act together on an issue as divisive as Iraq.<sup>98</sup>

## Taking the strain in the South, early 2005

**170.** Section 9.3 describes the UK’s continuing efforts to support the political process in Iraq, and in particular ensuring that elections could take place on schedule at the end of January 2005.

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<sup>95</sup> IMF Staff Report, September 2004, *Iraq: Use of Funds – Request for Emergency Post-Conflict Assistance*.

<sup>96</sup> Briefing Treasury, [undated], ‘Brief: Meeting with Barham Saleh, Deputy Prime Minister of Iraq’

<sup>97</sup> Letter Cabinet Office [junior official] to Aldred, 13 September 2011, ‘Iraq Inquiry: Request for Further Information on Funding’.

<sup>98</sup> Briefing Treasury, [undated], ‘Brief: Meeting with Barham Saleh, Deputy Prime Minister of Iraq’.

**171.** At the end of 2004, in response to continuing concerns that the US and the PCO did not see the South as a priority and that the World Bank and UN Trust Funds were not yet fully operational, DFID assessed that it would have to “take more of the strain bilaterally in 2005”, in particular on infrastructure and job creation in the South.

**172.** On 18 November, in response to a request from the FCO, Mr Collis reported on the state of reconstruction in the South.<sup>99</sup> The IIG was not funding any significant capital projects in the South and the PCO remained a “weak and Baghdad-centric” organisation. PCO projects would not have a significant impact on service delivery until well into 2005.

**173.** DFID officials met senior PCO officials in Baghdad on 2 December.<sup>100</sup> The British Embassy Baghdad reported that, in response to the security situation, the PCO planned to focus on “low-hanging fruit” (visible projects such as repairs to schools and clinics) at the expense of major longer-term reconstruction projects and building Iraqi capacity. In addition, if the US Congress did not agree further funding for CERPs, the PCO was likely to reallocate funds from stable to less secure areas.

**174.** The Embassy concluded: “We need to fight to keep PCO funding in the South.”

**175.** At the 9 December meeting of the AHMGIR, Ministers commented that the PCO was “large and unwieldy” and faced a difficult balance between quick fixes and long-term reconstruction.<sup>101</sup> UK influence was limited: the PCO was a US organisation following US rules “though it was sometimes open to UK advice”. Much of its effort was being pulled into Fallujah and away from the South.

**176.** Mr Chakrabarti and Mr Drummond visited Baghdad and Basra from 6 to 8 December to review DFID’s programmes and assess priorities for 2005.<sup>102</sup>

**177.** Their 13 December report to Mr Benn advised that with the PCO “diverted” to immediate reconstruction work in cities around Baghdad, and the World Bank and UN Trust Funds not yet fully operational, DFID would “have to take more of the strain bilaterally in 2005”. DFID’s resources were, however, limited and “must be used to support Iraqi initiatives and strengthen their capacity”.

**178.** On PCO activity in the South, the report stated:

“As junior partners in the coalition, our ideas are listened to, but our influence over US spending will remain limited. We need to face up to the fact: the South will not be a strategic priority for the US.”

<sup>99</sup> Telegram 200 Basra to FCO London, 18 November 2004, ‘Southern Iraq: Essential Services, Reconstruction’.

<sup>100</sup> Telegram 455, Baghdad to FCO London, 5 December 2004, ‘Iraq: Project Contracting Office (PCO): Changing Priorities’.

<sup>101</sup> Minutes, 9 December 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>102</sup> Minute Chakrabarti/Drummond to Secretary of State, 13 December 2004, ‘Iraq Visit, 6-8 December’.

**179.** The report identified possible DFID priorities for 2005:

- continued support to strengthen Iraq's public administration, including Prime Minister Allawi's office;
- continued support for economic reform, including a renewed effort to get the World Bank and IMF back into Baghdad. Their officials could be accommodated in the "DFID wing" of the British Embassy;
- substantial, additional support for job creation and "emergency infrastructure works" in the South; and
- a further contribution to the UN and World Bank Trust Funds when there was hard evidence of delivery, and the UN was back on the ground.

**180.** Copies of the report were sent to the FCO, the MOD, No.10, the Cabinet Office and officials in Baghdad and Basra.

**181.** DFID's intentions were set out in more detail in a minute from Mr Drummond to a DFID official two days later:

"... we will have to take more of the strain in 2005 on infrastructure. The TAT team and others should begin thinking now about what can be done with UK resources (possibly up to £50m) so that there are ideas ready to be appraised."<sup>103</sup>

**182.** That work would culminate in the agreement by Mr Benn of the £40m Iraq Infrastructure Services Programme (IISP) in late February 2005.

**183.** Mr Chaplin reported on 15 December that the US review of IRRF2 had reduced funding for water and power projects in Basra.<sup>104</sup> The reallocations had not been based on Iraqi advice or geographical need, but on a US desire to avoid breaching existing contracts and the PCO's belief that larger projects in the South could be more easily funded by other donors.

**184.** Major General Jonathon Riley, General Officer Commanding (GOC) MND(SE), reported on 20 December:

"Wherever I go ... I am greeted by Provincial Governors and others with the same set of complaints: that the promises made to them have been broken, that things are getting worse not better ... The increase in my QIPS delegation is massively helpful, but the amount of money cannot change the overall situation. DFID is working really very efficiently, and we have a real partnership here, but this is not natural territory for them and again, their funds will not change the overall situation. The solution lies with Central Government in Baghdad and the PCO, which together have raided major projects in the South, such as the electricity programme, in order to fund security. I have tried to point out that investing in the South now, where the security

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<sup>103</sup> Minute Drummond to DFID [junior official], 15 December 2004, 'Iraq: Visit Follow-up'.

<sup>104</sup> Telegram 475 Baghdad to FCO London, 15 December 2004, 'Iraq: PCO Water and Power Sectors'.

situation is benign will do two things: first, reward good behaviour and encourage further progress ... and secondly, benefit the whole of the country ...

“I am not responsible for economic regeneration, and I do not intend to become a bore about it – so I mention it now – once, and once only. But since I am not responsible, I cannot be made accountable for the failures of others.”<sup>105</sup>

**185.** Mr Blair visited Baghdad on 21 December.<sup>106</sup>

**186.** Mr Chaplin’s briefing for Mr Blair described an Iraqi Government that was struggling to maintain supplies of power and fuel as the insurgency took hold, and that had abandoned hope of visible progress on reconstruction before the elections.<sup>107</sup>

**187.** During his visit, Mr Blair asked Gen Riley for advice on “big-ticket” items that might make a difference to the economy and essential services of southern Iraq.<sup>108</sup>

**188.** Mr Quarrey’s report on the visit recorded that “Iraqisation and political outreach were key themes”.<sup>109</sup> Mr Blair remained “very concerned about the slow pace of reconstruction spending, especially in the South” and about the funding available for Iraqisation, and wanted the UK to make a major effort to secure greater funding for both, in particular from the US. A copy of the report was sent to Mr Benn’s Principal Private Secretary.

**189.** Gen Riley responded to Mr Blair’s request for big-ticket projects on 3 January 2005, in his weekly report to Gen Walker.<sup>110</sup> He proposed that, at a minimum, the UK should aim to build a 200 megawatt (MW) gas turbine plant in the South at a cost of up to US\$100m. USAID estimated that up to four additional power stations needed to be constructed in Iraq each year to 2020, but only one was currently planned in the South, which would be funded by Japan. A new power plant would be a visible contribution to the South and to Iraq, would boost long-term investment and would provide a more reliable power supply to the oil sector, essential services and Iraqi citizens.

**190.** The MOD sent Gen Riley’s report to No.10 on 4 January.<sup>111</sup> It was not included in Mr Quarrey’s weekly round-up on Iraq for Mr Blair (which issued on 7 January), and the Inquiry has seen no evidence that the report was passed to Mr Blair.<sup>112</sup>

**191.** Gen Riley’s proposal was addressed in a DFID review of infrastructure requirements in the South the following month.

<sup>105</sup> Report Riley, 20 December 2004, ‘GOC MND(SE) – southern Iraq Update – 20 December 04’.

<sup>106</sup> *BBC News*, 21 December 2004, *Blair’s statement in Baghdad*.

<sup>107</sup> Telegram 494 Baghdad to FCO London, 21 December 2004, ‘Prime Minister’s Visit to Iraq, 21 December: Scen setter’.

<sup>108</sup> Report Riley, 3 January 2005, ‘GOC MND(SE) – southern Iraq Update – 3 January 2005’.

<sup>109</sup> Letter Quarrey to Owen, 23 December 2004, ‘Prime Minister’s Visit to Iraq: Follow-up’.

<sup>110</sup> Report Riley, 3 January 2005, ‘GOC MND(SE) – southern Iraq Update – 3 January 2005’.

<sup>111</sup> Letter Naworynsky to Quarrey, 4 January 2005, ‘Iraq: Update’ attaching Report Riley, 3 January 2005, ‘GOC MND(SE) – southern Iraq Update – 3 January 2005’.

<sup>112</sup> Minute Quarrey to Prime Minister, 7 January 2005, ‘Iraq: Weekly Round-up’.

### Basra International Airport reopens to commercial traffic

UK forces continued to provide air traffic control and certain other services at Basra International Airport (BIA) after the transition from the CPA to the IIG on 28 June 2004.

During the Occupation, the UK considered but rejected opening BIA to commercial flights, due to the potential liability for the UK (see Section 10.1).

On 14 December, the UK and IIG signed a Memorandum of Understanding indemnifying the UK Government and its agents against all claims arising from the provision of services by UK personnel at BIA.<sup>113</sup>

Following that agreement, BIA reopened to commercial traffic on 1 January 2005.<sup>114</sup> UK forces continued to provide support.

**192.** In a video conference with President Bush on 4 January, Mr Blair said that the US and the UK should support Prime Minister Allawi's new security plan (see Section 9.3).<sup>115</sup> A key issue would be funding. Reconstruction would not be a problem once the security situation improved. Mr Blair asked if the US could, in the short term, redirect some US reconstruction funding to security.

**193.** Sir Nigel Sheinwald sent Mr Stephen Hadley, US Deputy National Security Advisor, a Note by Mr Blair on 10 January, and asked him to show it to President Bush before their video conference the following day.<sup>116</sup> Mr Blair's Note covered "our most pressing problems".

**194.** On Iraq, he judged:

"All the problems go back to security. Without it the politics are difficult, the reconstruction shackled and the faith of Iraqis in the future undermined."

**195.** Mr Blair considered that four actions were necessary:

- the Iraqiisation of security forces;
- spending money more quickly on reconstruction, especially of essential services;
- being "very tough indeed on the election", including by ensuring it went ahead on schedule and encouraging participation; and
- signalling a timetable for the withdrawal of US and UK forces "when and only when, we can point to real indigenous Iraqi strength".

<sup>113</sup> Telegram 474 Baghdad to FCO London, 15 December 2004, 'Iraq: Basra Airport'.

<sup>114</sup> Minute Allardice to DTI [junior official], 12 January 2005, 'Ad Hoc Ministerial Group on Iraq Reconstruction, 13 January 2005' attaching Briefing, [undated], 'Ad Hoc Ministerial Group on Iraq Reconstruction'.

<sup>115</sup> Letter Quarrey to Owen, 4 January 2005, 'Prime Minister's VTC with President Bush, 4 January 2005; Iraq, Iran and MEPP'.

<sup>116</sup> Letter Sheinwald to Hadley, 10 January 2005, [untitled], attaching Note Prime Minister to President Bush, 10 January 2005, 'Note'. Mr Hadley succeeded Dr Rice as US National Security Advisor later that month.



**196.** Mr Blair wrote: “If we had security, the blunt truth is Iraq wouldn’t need much help for reconstruction.” However, in those parts of Iraq where security was reasonable, reconstruction funds should be spent more quickly. This would have a powerful demonstrative effect. Mr Blair suggested to President Bush that they should get a report on the speed and priorities of the reconstruction programme.

**197.** The record of the video conference did not include any reference to reconstruction.<sup>117</sup>

### **DFID reduces its budget for Iraq for 2005/06**

**198.** At the end of December, DFID’s Europe Middle East and Americas Division (EMAD) submitted its Delivery Plan for 2005 to 2008 to the DFID Management Board, for approval.

**199.** DFID provided the Inquiry with a version of the Delivery Plan marked “Draft”, but informed the Inquiry that this version could be the one that was submitted to Management Board.<sup>118</sup>

**200.** In relation to Iraq, the draft Delivery Plan stated that DFID was seeking to “strike a sensible balance between short-term fixes and longer-term development”.<sup>119</sup> DFID planned to scale down its assistance over the following three years, shifting from “post-conflict reconstruction” towards targeted technical assistance.

**201.** Limiting EMAD expenditure on Middle Income Countries (MICs), including Iraq, would be a “key factor” in ensuring that DFID met its target of spending at least 90 percent of country programme resources on Lower Income Countries (LICs) in each year from 2005/06 to 2007/08. Attaining the target for 2005/06 would require some £20m of in-year savings from MIC budgets.

**202.** The draft Delivery Plan stated that the current, agreed DFID budget for Iraq for 2005/06 was £86m (reducing to £45m and £30m in the subsequent financial years). However:

“It has been agreed that £20m savings in MIC programmes should be found through in-year and between-year management of spending. We expect the bulk of these savings will be found from underspending on the Iraq budget; bringing the expected spend on Iraq to closer to £66m than the full aid framework allocation of £86m ...”

**203.** EMAD invited the Management Board to agree that those savings should be retained within EMAD, and used for its non-MIC programmes.

<sup>117</sup> Letter Quarrey to Owen, 11 January 2005, ‘Prime Minister’s VTC with President Bush, 11 January’.

<sup>118</sup> Email DFID [junior official] to Iraq Inquiry [junior official], 20 January 2016, ‘DFID docs on reduction in Iraq’s budget for 2005/06’.

<sup>119</sup> Paper DFID, 22 December 2004, ‘Draft: Europe Middle East and Americas Division (EMAD): Director’s Delivery Plan [draft] for 2005 – 2008’.

**204.** The 25 and 26 January 2005 meeting of DFID’s Management Board “noted that the anticipated reduction (£20m) of **programme spend in Iraq** should enable ... **LIC commitments** to be met in 2005/06”.<sup>120</sup>

**205.** A junior DFID official advised colleagues the following week that the Management Board had imposed a “cap” on Iraq expenditure for 2005/06 of £65m.<sup>121</sup> She commented that the decision was “largely to ensure that we do not undermine the agreed MIC/LIC targets”.

**206.** The official also advised that DFID’s overall budget was “running very hot” and that DFID’s Finance Department had “both eyes” on the £40m of Iraq’s 2004/05 budget that had not yet been allocated.

**207.** The £65m budget for Iraq for 2005/06 was formally confirmed on 14 March.<sup>122</sup>

**208.** DFID’s Iraq Directorate undertook internal exercises in February and March to prioritise expenditure against the new, lower budget.<sup>123</sup>

**209.** The March exercise estimated that “commitments and plans” for Iraq for 2005/06 totalled £123m (against the budget of £65m), of which:

- £59m was “firm”;
- £55m was high priority (including £40m for the planned Iraq Infrastructure Services Programme);
- £8.5m was medium priority; and
- less than £1m was low priority.<sup>124</sup>

### DFID’s budget for and expenditure in 2005/06

Following the 25 and 26 January 2005 meeting of DFID’s Management Board, DFID reduced its budget for Iraq for 2005/06 from £86m to £65m.<sup>125</sup>

DFID expenditure in 2005/06 was £82m. That comprised:

- £38m for “life support costs” (accommodation, security, medical services and other services) provided by the FCO and charged to DFID (and other departments and agencies) under a Service Level Agreement. Approximately half of that charge related to services used in 2004/05 and half to services used in 2005/06;
- £35m for infrastructure projects; and
- £10m for governance projects.<sup>126</sup>

<sup>120</sup> Minutes, 25/26 January 2005, DFID Management Board meeting.

<sup>121</sup> Email DFID [junior official] to DFID [junior official], 31 January 2005, ‘Iraq: FINSTATS 3’.

<sup>122</sup> Minute Calvert to [DFID] Directors, 14 March 2005, ‘Resource Allocation Round: 2005-08’.

<sup>123</sup> Email DFID [junior official] to DFID [junior official], 14 February 2005, ‘Iraq: Forecast 2005/06’; Email DFID [junior official] to Anderson, 11 March 2005, ‘2005/06 Commitments’.

<sup>124</sup> Email DFID [junior official] to Anderson, 11 March 2005, ‘2005/06 Commitments’.

<sup>125</sup> Minute Calvert to [DFID] Directors, 14 March 2005, ‘Resource Allocation Round: 2005-08’.

<sup>126</sup> Letter Cabinet Office [junior official] to Aldred, 1 July 2011, ‘Iraq Inquiry: request for further information on funding’; Paper DFID, 21 December 2011, ‘A Note on DFID Iraq Programme Admin Spend for the Iraq Inquiry’.

The apparent overspend against DFID's 2005/06 budget was caused by the FCO charge for life support costs.

DFID's expenditure on infrastructure projects peaked in 2005/06. Of the £45m spent on non-life support costs in 2005/06, £35m – over 75 percent – was spent on infrastructure.<sup>127</sup> In comparison, DFID spent £15m on infrastructure in 2004/05 and £14m in 2006/07.

## Priorities for 2005

**210.** In February, Ministers agreed UK priorities for 2005, including “reviewing reconstruction to find ways to make a difference quickly”.

**211.** On 21 January, No.10 commissioned the Cabinet Office to produce a paper on Iraqisation, the UK's military options and a game plan for engaging the US, to support a discussion on UK strategy after the Iraqi elections.<sup>128</sup>

**212.** The 28 January meeting of the Iraq Strategy Group (ISG) discussed a draft of that paper.<sup>129</sup> Sir Nigel Sheinwald said that Mr Blair would also want the paper to consider “what could be done to achieve quick and labour-creating results on reconstruction including outside MND(SE)”.

**213.** Sir Nigel asked that the paper also consider the involvement of the wider international community in military, police and civil administrative capacity-building.

**214.** The elections to the Transitional National Assembly (TNA) and Provincial Assemblies took place across Iraq on 30 January 2005. The TNA did not convene until 16 March, after which negotiations to form the Iraqi Transitional Government (ITG) continued into late April (see Section 9.3).

**215.** On 1 February, Mr Blair suggested to President Bush that they should focus on four areas in order to exploit post-election momentum:

- Iraqisation;
- political outreach, including “whittling away at the opposition, so that the hard core were left isolated”;
- drawing in the international community; and
- reconstruction, including areas in which there could be a quick impact (eg power generation).<sup>130</sup>

<sup>127</sup> Letter Cabinet Office [junior official] to Aldred, 1 July 2011, ‘Iraq Inquiry: request for further information on funding’.

<sup>128</sup> Letter Phillipson to Baker, 21 January 2005, ‘Iraq: Future Strategy’.

<sup>129</sup> Minute Ferguson to Sheinwald, 1 February 2005, ‘Iraq Strategy Meeting – 28 January 2005’.

<sup>130</sup> Letter Quarrey to Owen, 1 February 2005, ‘Prime Minister’s VTC with President Bush, 1 February’.

**216.** Mr Blair proposed that these areas should be drawn into a plan by the ITG, which the UK and US could then support.

**217.** On 3 February, just before the announcement of the election results, the Joint Intelligence Committee (JIC) assessed the nature and strength of the insurgency.<sup>131</sup> Despite operational successes in Sunni areas:

“... the military campaign is not effectively containing the insurgency in Sunni areas. Law and order, the pace of economic reconstruction, the availability of jobs and general quality of life have not matched [Sunni] expectations. Most Sunnis perceive themselves to be worse off economically, and in security terms than under Saddam. Sunni ‘hearts and minds’ are being lost.”

**218.** The JIC assessed that the election results were likely to be less important in determining Sunni support for the insurgency than the degree to which credible Sunnis could be brought into the political process, “the speed at which reconstruction is taken forward” and the duration of the coalition’s presence in Iraq.

**219.** A revised Cabinet Office strategy, drawing on the JIC assessment, was submitted to the 9 February Ad Hoc Ministerial Group on Iraq, chaired by Mr Blair.<sup>132</sup> The key elements of the strategy for the coming year were:

- building the capability of the ISF;
- outreach by the ITG to bring in those currently supporting the insurgency;
- drawing in the international community and giving it a new sense of purpose (including getting the UN to do more on reconstruction); and
- “reviewing reconstruction to find ways to make a difference quickly”.

**220.** The strategy identified key “governance and reconstruction” challenges in 2005, including:

- the weak capacity of Iraqi Government institutions to drive reconstruction;
- sustained improvements in the availability of fuel and electricity needing difficult reforms and a crackdown on corruption and sabotage;
- the limited presence on the ground of international agencies and NGOs; and
- ensuring all Iraq benefited (“the South is not a strategic priority for the US”).

**221.** The six “governance and reconstruction” actions for the UK before the ITG was formed were:

- preparing key messages to the new government on reconstruction priorities, focusing on developing a stronger relationship between Baghdad and the governorates;
- working with the US to make its reconstruction effort more effective. The US should focus on rapid job creation, and directly fund Iraqi ministries;

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<sup>131</sup> JIC Assessment, 3 February 2005, ‘Iraq: Insurgency and Counter-Insurgency’.

<sup>132</sup> Paper Cabinet Office, 7 February 2005, ‘Iraq Strategy for 2005’.

- supporting the handover of power to the new government, through the DFID-funded consultancy team;<sup>133</sup>
- pressing the UN, IMF and other donors to engage;
- completing the design of DFID's new £40m power and infrastructure programme for the South; and
- deciding on ways to expand visible job creation work in the South.

**222.** ITG ownership of governance and reconstruction would be crucial. The UK would strengthen the ITG's strategic communications capacity, to ensure that successes were promulgated.

**223.** The strategy also identified a number of economic priorities:

- ensuring the UK "plays its part" in achieving a "fair and sustainable" solution to Iraq's debt problems. Iraq would need to secure comparable debt relief from non-Paris Club debtors;
- encouraging Iraq to complete its IMF programme;
- continuing to support economic reform;
- promoting an "efficient, outward looking and transparent" oil and energy industry and the transparent management of Iraq's oil reserves; and
- advising on an effective response to inflationary risks.

**224.** The strategy stated that the UK's current posture in Iraq was costing around £1bn a year, but did not comment on whether this amount was appropriate or sufficient.

**225.** In discussion, Ministers commented that it was essential that the security, political and reconstruction tracks were synchronised if the UK was to achieve its objectives in Iraq.<sup>134</sup> If necessary, the UK should push ahead with plans for security and reconstruction in MND(SE), in advance of developments in the rest of the country.

**226.** The Group approved the strategy and agreed that No.10 should pass an updated version to the US, raising the issue of diversion of US funding for reconstruction projects from the South to other parts of the country.

**227.** The Group also agreed that Mr Blair and Mr Benn should press Mr Annan and Mr James Wolfensohn, President of the World Bank, to deploy staff to Basra.

**228.** Sir Nigel Sheinwald sent a revised version of the strategy to Mr Stephen Hadley, US National Security Advisor, on 11 February.<sup>135</sup>

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<sup>133</sup> A reference to DFID's £4.2m Emergency Public Administration Programme, which was developed to help establish the Prime Minister's Office and the Cabinet and committee system.

<sup>134</sup> Minutes, 9 February 2005, Ad Hoc Ministerial Group on Iraq meeting.

<sup>135</sup> Letter Sheinwald to Hadley, 11 February 2005, 'Iraq' attaching Paper, 'Iraq: Strategy for 2005'.

**229.** At the meeting of the ISG on the same day, Mr Martin Dinham, DFID Director Europe, Middle East and Americas, set out what DFID would do “in response to the renewed Ministerial mandate to press ahead with reconstruction, particularly in MND(SE)”.<sup>136</sup> The £40m Iraq Infrastructure Services Programme (IISP) would be approved in the next few weeks. More money was available for job creation if required. But it was also key to get other donors engaged. Mr Benn and DFID officials were lobbying the UN, World Bank and IMF. Officials in Basra were conducting a review of infrastructure requirements to identify gaps.

**230.** Mr Blair wrote to Mr Wolfensohn on 16 February, highlighting the slow pace of delivery on Trust Fund projects and the value of having core World Bank staff (rather than a contracted liaison officer) in Iraq, and offering to provide accommodation and security for World Bank staff in Baghdad and Basra.<sup>137</sup>

**231.** Mr Benn wrote to Mr Wolfensohn the following day:

“We need to seek innovative ways of managing the difficulties and risks associated with working in present-day Iraq. The [World] Bank might need to reallocate funding to new projects that can be delivered ... One way to do this might be to channel funding directly through provincial government systems to their priority projects.”<sup>138</sup>

**232.** Mr Benn repeated Mr Blair’s offer to provide support for World Bank staff in Iraq, and highlighted the need for a strong World Bank presence in the power sector.

**233.** Mr Dinham followed up those proposals in meetings with World Bank officials during a visit to New York and Washington from 21 to 24 February.<sup>139</sup>

**234.** During the meetings, World Bank officials argued that:

- Bank officials could achieve a lot from the Bank’s office in Amman, Jordan;
- there were presentational difficulties in being too closely associated with one particular Member State; and
- operating in Iraq was expensive and difficult.

**235.** Mr Dinham rejected those arguments, pointing out that the UN was now establishing a presence in Iraq with two permanent development specialists and a large number of staff supporting the election process.

**236.** Mr Dinham also pressed the Bank to accelerate disbursement from its Trust Fund. The UN was now performing better than the Bank. Mr Dinham suggested that the Bank

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<sup>136</sup> Minute Cabinet Office [junior official] to Sheinwald, 11 February 2005, ‘Iraq: Strategy Group’.

<sup>137</sup> Letter Blair to Wolfensohn, 16 February 2005, [untitled].

<sup>138</sup> Letter Benn to Wolfensohn, 17 February 2005, ‘Iraq Reconstruction’.

<sup>139</sup> Minute Dinham to Shafik, 28 February 2005, ‘Visit to Washington and New York, 21-24 February 2005: Discussion of Iraq Issues’.

might redirect some Trust Fund money into co-financing DFID's IISP, or through the provincial governments which DFID was supporting.

**237.** In a meeting with IMF officials, Mr Dinham offered DFID support to help establish an IMF presence in Iraq. He reported that the IMF was “more responsive” to the offer than the World Bank.

**238.** In Washington, US State Department officials briefed Mr Dinham on US plans to re-programme some reconstruction funds to fund security in areas where no reconstruction could take place, and to increase funding for projects that would have more immediate impact on the ground. That meant cutting some larger infrastructure projects, including in the South. The US objective was to encourage other donors, in particular Japan, Arab states and possibly the European Commission (EC), to take on longer-term infrastructure projects.

**239.** In meetings with UN officials, Mr Dinham welcomed progress in implementing UN Trust Fund projects (although he felt that it could be faster) and the news that two UN senior development officials were now permanently based in Baghdad.

**240.** The DFID review of infrastructure requirements in the South referred to by Mr Dinham at the 11 February meeting of the ISG was submitted to the 24 February meeting of the AHMGIR.<sup>140</sup>

**241.** The paper stated that a DFID team had recently assessed how DFID could help improve infrastructure in southern Iraq. As a result, Mr Benn had “approved work to bring forward quickly” DFID's £40m IISP.

**242.** The majority of IISP funds would be used to undertake repairs and improvements to existing infrastructure. To ensure a visible impact on the ground, the programme would fund larger projects (with a value of more than £500,000). Priority would be given to projects which would have an impact within six to 12 months and generate significant employment. 75 percent of the budget was earmarked for power, the rest to improve water supplies and the fuel distribution network.

**243.** The paper stated that an “alternative approach” would be to invest available resources in new power generation. That would take several years to come on line and would be “a drop in the ocean” of Iraq's power needs. Substantially greater and quicker impact could be achieved by well-targeted repairs and rehabilitation, and building Iraqi capacity.

**244.** The paper also stated that: “Taken with existing commitments, this new programme [the IISP] means that there will be little scope for additional DFID initiatives in Iraq that involve expenditure in 2005/06.”

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<sup>140</sup> Paper DFID, 21 February 2005, ‘Reconstruction – outcome of DFID mission on infrastructure in the South; and involvement of other major players’.

**245.** The Inquiry concludes that the (brief) consideration of investment in new power generation may have been prompted by Gen Riley's 3 February proposal, in response to Mr Blair's request for advice on "big-ticket" items, that the UK should aim to build a 200MW gas turbine plant in the South at a cost of up to US\$100m.

**246.** Mr Hoon wrote to Mr Benn on 25 February, highlighting the need to ensure that the UK did all it could to alleviate power shortages in the South over the summer (before projects under the IISP would begin to come on stream).<sup>141</sup> Plans for a US\$10m project to provide point power generation throughout MND(SE), funded by CERPs, were well advanced. Mr Benn's offer to consider whether DFID could fund the project if CERPs funding was not released was very welcome.

**247.** Mr Blair wrote a note to Mr Quarrey on 25 February instructing that Mr Straw be "put in charge" of the Ad Hoc Ministerial Group on Iraq and asking him to report each week with actions on "eg reconstruction in the South; Sunni outreach; progress on security plan".<sup>142</sup>

**248.** Mr Benn discussed the World Bank's engagement in Iraq with Mr Wolfensohn on 1 March in the margins of the Palestine Conference.<sup>143</sup>

**249.** Following a meeting with Mr Benn on 8 March, Mr Michael Anderson, Head of DFID's Middle East and North Africa Department, advised officials in the UK Delegation to the World Bank that Mr Benn had "very little patience" with the Bank:

"The SoS [Mr Benn] is very clear in his view that the slow disbursement by the Bank under the IRFFI [Trust Fund] is unacceptable ...

"... if the Bank is not able to show a significant increase in its engagement in Iraq by the end of March, we will be writing to the Bank to seek refund of the funds to the UK for disbursement through our bilateral programme ...

"His commitment to this line is strong, and we will need to find a way to carry forward his views despite the legal and reputational risks that may arise."<sup>144</sup>

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<sup>141</sup> Letter Hoon to Benn, 25 February 2005, 'Iraq: Reconstruction Priorities in MND(SE)'.

<sup>142</sup> Manuscript comment Blair on Minute Quarrey to Prime Minister, 25 February 2005, 'Iraq Update'.

<sup>143</sup> Letter Dinham to Tulu, 2 March 2005, 'Iraq'.

<sup>144</sup> Email Anderson to Scholar, 8 March 2005, 'World Bank and Iraq'.



### Mr Benn's evidence to the International Development Committee, 10 March 2005

Mr Benn gave evidence to the International Development Committee (IDC) on 10 March 2005, as part of its inquiry into development assistance to Iraq.<sup>145</sup> His hearing followed a visit by three members of the IDC (Mr Quentin Davies, Mr Tony Colman and Ms Ann Clwyd) to Iraq.

Mr Davies reported that he had been struck by the progress made in reconstruction and building Iraqi capacity, and by the “very good” co-operation between DFID and the military on the ground. He challenged Mr Benn on two issues. First, that the separate budgets held by DFID and the MOD for reconstruction could lead to “some muddle”. Second, that some of DFID’s work to build the capacity of the Iraqi Government was inconsistent with the 2002 International Development Act.

Mr Benn welcomed the IDC’s observation that DFID and the MOD were working well together on the ground. He commented:

“DFID has come into Iraq and done things that traditionally we would not do ... Why? Because that was what was required in the circumstances. We had to dust down some skills and the Post-Conflict Reconstruction Unit [PCRU] is one of the lessons from this ...”

The PCRU and its role in Iraq is described in Section 10.3.

Mr Benn strongly rejected the charge that some of DFID’s work was inconsistent with the 2002 International Development Act, arguing that capacity-building was crucial for poverty reduction:

“... having states that work ... governments that can do their job, is absolutely fundamental to improving services and the lives of poor people.”

The imminent dissolution of Parliament brought the inquiry to a close. The IDC did not publish a report, but did publish the evidence it had gathered as part of its inquiry.

The IDC did not undertake another inquiry into the UK’s reconstruction effort in Iraq.

**250.** Gen Riley reported on 16 March that he was “still worried” about providing sufficient power across MND(SE) over the summer.<sup>146</sup> Temperatures were already creeping up, and he remembered the “near-disaster” in summer 2003 caused by the failure of essential services.<sup>147</sup>

<sup>145</sup> Seventh Report from the International Development Committee, Session 2004-2005, *Development assistance in Iraq: Interim Report*, HC244.

<sup>146</sup> Report Riley, 16 March 2005, ‘GOC MND(SE) – southern Iraq Update – 16 March 2005’.

<sup>147</sup> A reference to the riots in Basra on 10/11 August 2003, which the UK assessed were triggered by fuel shortages and power blackouts.

**251.** While he waited for approval of the point power generation project, he had ordered MND(SE) to search for additional sources of energy and funding. They had identified 131 generators across the region, of which only 22 were working. Most of the inoperable generators had never been installed. MND(SE) had completed the installation of 32 of those generators.

**252.** Mr Quarrey passed Gen Riley's update to Mr Blair on 18 March, with the comment:

“The situation is bleak, with generation levels this summer unlikely on current predictions to be significantly higher than last year – and almost certainly matched by higher demand.”<sup>148</sup>

**253.** Mr Quarrey advised that funding for the point power generation project (which would become Operation AMPERE) had now been approved.

**254.** The funding was provided by DFID.<sup>149</sup>

**255.** Mr Quarrey also advised that officials were working on a new strategy paper on electricity, but it focused too much on the medium term and not enough on what the UK could do to improve the situation over the summer. He recommended that the next AHMGIR should focus on producing a short-term action plan.

**256.** Mr Blair indicated that he agreed with Mr Quarrey's proposal, and that he would raise the issue of power generation with President Bush.<sup>150</sup>

**257.** A report on a visit to Iraq by senior DFID officials alerted other departments to pressures on DFID's budget.

**258.** Mr Dinham and Mr Anderson visited Iraq from 14 to 19 March.<sup>151</sup>

**259.** Mr Dinham's report to Dr Nemat Shafik, DFID Director General Programmes, characterised the DFID programme as “a balance of capacity building and visible, quick impact reconstruction activity, particularly in the South”. There was “accelerated progress” on both capacity building and reconstruction, helped by “excellent collaboration” with the FCO and MOD.

**260.** Mr Dinham warned that:

“One side effect of the good progress we are making ... is that our Iraq budget allocation for 2005/06 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.”

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<sup>148</sup> Minute Quarrey to Prime Minister, 18 March 2005, 'Iraq Update' attaching Report Riley, 16 March 2005, 'GOC MND(SE) – southern Iraq Update – 16 March 2005'.

<sup>149</sup> Paper FCO/DFID, 22 March 2005, 'Iraq: Electricity'.

<sup>150</sup> Manuscript comment Blair on Minute Quarrey to Prime Minister, 18 March 2005, 'Iraq Update'.

<sup>151</sup> Minute Dinham to Shafik, 21 March 2005, 'Visit to Iraq'.

**261.** He continued:

“The need to cut back our budget [for Iraq] in 2004/05 to help meet internal DFID financial pressures related to the estimating adjustment; plus the MIC ceiling constraint in 2005/06; plus escalating cost relating to security ... have all contributed to the pressures.”

**262.** DFID would seek to deal with those pressures through “a variety of careful financial management techniques” and an “active search for co-financing” with partners including the World Bank and the EC. However:

“... the scope for new activity in 2005/06 is nil and we will have to delay until 2006/07 some of the proposals in the pipeline with which we hoped to proceed in 2005/06.”

**263.** Mr Dinham also reported that Iraqi governorates did not yet have the capacity to receive supplementary funding from sources such as the World Bank and the US, as DFID had hoped.

**264.** Copies of Mr Dinham’s report were sent to Mr Benn’s Private Secretary, Mr Chakrabarti’s Private Secretary, other DFID officials, and officials in No.10, the Cabinet Office, the FCO, and the MOD.

**265.** Mr Quarrey marked Mr Dinham’s report to Sir Nigel Sheinwald with the comment:

“This is worrying – we need to have some flexibility in 05/06, including to support ITG ideas/priorities.”<sup>152</sup>

**266.** Mr Straw made his first report to Mr Blair on the work of the Ad Hoc Ministerial Group on Iraq on 24 March.<sup>153</sup> He attached a number of reports, included a joint FCO/DFID paper describing the state of the electricity sector, which he described as a focus for the Group’s work.

**267.** The FCO/DFID paper stated that the Iraqi Government was struggling to sustain production at more than 4,000MW per day and was unlikely to meet its target of producing 6,000MW per day by the summer. Demand had soared as the economy had grown, and was now estimated to be 8,000MW per day (that figure would increase over the summer). Power cuts would continue.

**268.** The paper identified four factors behind the failure to increase power production above May 2003 levels:

- continued sabotage;
- the unreliability and inefficiency of existing power infrastructure;

<sup>152</sup> Manuscript comment Quarrey on Minute Dinham to Shafik, 21 March 2005, ‘Visit to Iraq’.

<sup>153</sup> Letter Straw to Blair, 24 March 2005, ‘Iraq: Ad Hoc Ministerial Meetings’ attaching Paper FCO/DFID, 22 March 2005, ‘Iraq: Electricity’.

- poor management by the Iraqi Government; and
- a lack of “strategic focus” by the CPA in the immediate post-conflict period.

**269.** The paper advised that the Iraqi Government needed to develop a long-term energy strategy which addressed subsidy and charging issues (power was free). The World Bank had agreed to advise on strategy and co-ordination “with DFID facilitating”.

**270.** Given limited UK funds, the UK was focusing on:

- meeting key short-term needs. The US\$10m provided to Gen Riley should produce 25MW and £10m provided under the SIESP a further 50MW. In the longer-term, the IISP should produce 160MW by April 2006;
- leveraging engagement from others, and;
- providing strategic advice to the Iraqi Government.

**271.** The FCO/IPU concluded that planned work was unlikely to solve Iraq’s power generation problem in time for the summer. The UK should encourage the Iraqi Government to plan now for next summer and the longer term, through the development of a coherent strategy for the energy sector.

**272.** In his covering letter to Mr Blair, Mr Straw stated that 55 percent of DFID’s budget for Iraq for 2005/06 would be spent in the power sector.<sup>154</sup>

**273.** Mr Blair indicated that he had seen the letter, but did not comment on it.<sup>155</sup>

**274.** MND(SE) and the DFID Basra Office reported on 30 March that they had reached agreement on how to use the US\$10m provided by DFID for power generation in the South.<sup>156</sup> MND(SE) had initially favoured diesel generators, DFID gas turbines. A “hybrid proposal” had emerged, involving the purchase of diesel generators for fewer sites than originally proposed and the refurbishment of existing gas turbines. MND(SE) estimated that the project – Operation AMPERE – would produce an additional 16.5MW by 1 July. It would only be a temporary solution. DFID’s IISP would help to maintain existing capacity, but substantive improvement would only come through long-term restructuring, institutional reform and major capital investment. That agenda would be pursued with the ITG.

**275.** The effect of Op AMPERE is considered later in this Section.

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<sup>154</sup> Letter Straw to Blair, 24 March 2005, ‘Iraq: Ad Hoc Ministerial Meetings’.

<sup>155</sup> Manuscript comment Blair on Note Quarrey to Prime Minister, 30 March 2005, ‘Iraq’.

<sup>156</sup> Telegram 47 Basra to FCO London, 30 March 2005, ‘Iraq: Meeting Peak Power Demands in the South this Summer’.

**276.** Gen Riley reported on 5 April that a fire had completely shut down the main power station in Nasiriyah, which supplied 50 percent of the electricity to the MND(SE) area.<sup>157</sup> He commented:

“This simply serves to point up the fragility of the national supply and to illustrate that DFID and MND(SE) alone are never going to solve the electricity problem in southern Iraq. While I still believe that DFID’s US\$10m will make a small difference this summer the symbolic nature of the money is as important as the power it will produce.”

**277.** Gen Riley concluded that “more drastic action” was needed to prevent an even bigger problem in summer 2006.

### DFID reviews its Interim Country Assistance Plan

**278.** DFID had published its Interim Country Assistance Plan for Iraq (I-CAP) in February 2004, at a time when the UK was a joint Occupying Power in Iraq and security was improving.<sup>158</sup>

**279.** The I-CAP re-stated DFID guidance that progress against a CAP should be assessed annually, and that a CAP should be subject to a “major review” every three or four years. The I-CAP stated that, given the rapidly changing situation in Iraq, it would need a “substantial” review after one year.

**280.** Mr Anderson circulated a note on the programme management issues identified during his 14 to 19 March visit to Iraq to DFID colleagues only on 4 April 2005.<sup>159</sup>

**281.** Mr Anderson highlighted the next 12 months as a critical period for DFID’s Iraq programme and a “key window for donor impact”. US and UK development spending was set to reduce after 2006 and the UK military presence, upon which donor activities in the South relied, might draw down.

**282.** Mr Anderson also highlighted two DFID policy papers with implications for DFID’s programme in Iraq. The first, on fragile states, emphasised the importance of realistic expectations of host government capacity and of prioritising and sequencing activities to avoid overwhelming it. The second, on security and development, highlighted the importance of personal safety and security for the poor, and emphasised that activities to promote effective security systems were integral to development work. The DFID Iraq team would meet to consider the implications of the papers in the next few months.

**283.** Mr Anderson detailed the work required to bring DFID’s programme for 2005/06 within the new budget. Current commitments exceeded the new budget “by several tens of millions of pounds”.

<sup>157</sup> Report Riley, 5 April 2005, ‘GOC MND(SE) southern Iraq Update – 5 April 2005’.

<sup>158</sup> Department for International Development, *Iraq: Interim Country Assistance Plan*, February 2004.

<sup>159</sup> Minute Anderson to DFID [junior official], 4 April 2005, ‘Iraq Programme Management Issues’.

**284.** A review of DFID's I-CAP was under way. It was unlikely to result in major changes, but existing activities would need to be "more focused" on the four UK objectives set out in the UK paper 'Iraq: Strategy for 2005', which had been agreed on 9 February.

**285.** On 6 April, the JIC assessed the state of the insurgency in Iraq following the January election.<sup>160</sup> It judged that a significant Sunni insurgency would continue through 2005, but that there now appeared to be greater opportunities for reducing it. The ITG's early actions would be critical in changing Sunni perceptions and eroding support for the insurgency. Sunni expectations included the direction of reconstruction money to Sunni areas.

**286.** Mr Blair met President Bush on 8 April. Mr Blair's briefing for the meeting suggested that he might raise four operational points with President Bush, including power supply.<sup>161</sup> It would be very damaging for the ITG if there was no improvement in electricity supply that summer. The UK was looking to boost supply in the short term in the South through a DFID/MOD programme; the US needed to do more quick-impact work across Iraq.

**287.** The record of the meeting did not include any reference to a discussion on improving power supply, or reconstruction more broadly.<sup>162</sup>

**288.** Lt Gen Kiszely completed his tour as the Senior British Military Representative, Iraq and sent his "hauldown" report to Gen Walker on 16 April.<sup>163</sup> Lt Gen Kiszely assessed that progress in MND(SE) had been good, with all four provinces likely to be under Provincial Iraqi Security Control by March 2006, offering "the potential for considerable reductions in UK force levels".

**289.** The I-CAP review process was discussed in a meeting of DFID officials chaired by Mr Anderson on 21 April 2005.<sup>164</sup> The meeting concluded that:

"The starting point is that the I-CAP remains valid, but priorities within that have moved on in the light of the substantially changed situation in Iraq since last February [when the I-CAP was agreed], the 2005 Strategy and our budget constraints."

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<sup>160</sup> JIC Assessment, 6 April 2005, 'Iraq: the State of the Insurgency'.

<sup>161</sup> Minute Phillipson to Prime Minister, 7 April 2005, 'Bilateral with President Bush: 0800-0845, 8 April'.

<sup>162</sup> Letter Sheinwald to Adams, 8 April 2005, 'Prime Minister's Meeting with President Bush, Rome, 8 April'.

<sup>163</sup> Minute Kiszely to CDS, 16 April 2005, 'SBMR-I's Hauldown Report'.

<sup>164</sup> Minute DFID [junior official] to Anderson, 22 April 2005, 'Iraq: ICAP Review and 2005/06 Programming'.

## The Iraqi Transitional Government

The Iraqi Transitional Government (ITG), led by Prime Minister Dr Ibrahim al-Ja'afari, formally took power in early May.<sup>165</sup> The ITG was mandated to govern Iraq until a government could be elected according to a new constitution in December 2005.

In his account of the Occupation of Iraq and the transition to democracy, Dr Ali A Allawi, ITG Minister of Finance and former IIG Minister of Defence, described Iraqi people's expectations of the ITG:

“The public expected that the Transitional Government would immediately start to remedy the services and security situations, and the message [delivered by Prime Minister al-Ja'afari in the National Assembly] was that conditions would rapidly improve. A realistic and cold-blooded assessment ... would have led to a different conclusion, one that might have been difficult for politicians to admit to, but which was nevertheless necessary to make if the expectations of the public were not to be raised too high.”<sup>166</sup>

Dr Allawi wrote that problems with the power supply added to the feeling of “a country under siege”.<sup>167</sup> Those problems “could not have possibly been resolved in the time-frame of the Transitional Government” and the fact that the entire sector did not collapse “was actually a sign of success”.

**290.** DFID officials in London, Baghdad and Basra held a video conference on 17 May to discuss the I-CAP review.<sup>168</sup> The presentation made to the video conference by a DFID official set out a number of “conclusions”:

- A “de-facto” review had already been completed, in the form of the exchange between Mr Blair and Mr Benn in October 2004, Mr Chakrabarti's visit to Iraq in December 2004, the 2005 UK Strategy, the “smaller than expected” budget for Iraq, and increased life support costs.
- The process could have been much better. There should be a better process for next year's review.

**291.** The official subsequently reported to Mr Anderson that the video conference had agreed that the I-CAP review had “essentially been completed”. Work was now in hand to produce a text for publication, after agreement by Mr Benn. The process had been driven by events and had not been ideal. The official set out in detail the better review process that should be undertaken the following year.

**292.** Mr Blair and President Bush spoke by video conference on 19 May. Mr Blair's brief for the conversation advised that the electricity situation in Iraq was “parlous” (six hours

<sup>165</sup> *Daily Telegraph*, 3 May 2005, *Iraq's new government sworn in*.

<sup>166</sup> Allawi AA. *The Occupation of Iraq: winning the war, losing the peace*. Yale University Press, 2007.

<sup>167</sup> Allawi AA. *The Occupation of Iraq: winning the war, losing the peace*. Yale University Press, 2007.

<sup>168</sup> Minute DFID [junior official] to Anderson, 19 May 2005, 'ICAP Review'

a day or less). It would be very damaging for the ITG if electricity supply that summer was worse than the last.<sup>169</sup>

**293.** The record of the video conference did not include any reference to a discussion on improving power supply, or reconstruction more broadly.<sup>170</sup>

**294.** Mr Blair spoke to Prime Minister Ja'afari for the first time on 26 May and said that “we stood ready to help in any way we could”, in particular on developing the ISF.<sup>171</sup>

**295.** The newly formed Sub-Committee of the Ministerial Committee on Defence and Overseas Policy on Iraq (DOP (I)) met for the first time on 26 May, chaired by Mr Blair.<sup>172</sup> Mr Benn attended the meeting.

**296.** Mr Benn's briefing for the meeting advised that, following his decision in December 2004 on priorities for 2005, DFID's programme was now “substantially re-orientated towards bilateral infrastructure support in the South”.<sup>173</sup>

**297.** It also advised that in response to a larger-than-expected charge from the FCO for life support costs and a “smaller-than-expected” budget allocation for Iraq for 2005/06:

“... we have trimmed back some work, notably consultancy, and are planning 25 percent slippage on the £40m infrastructure work [DFID's Iraq Infrastructure Services Programme – IISP]. We are also seeking co-financing, with US\$20m agreed in principle with the World Bank ...”

**298.** Even after that trimming, planned expenditure for 2005/06 exceeded the budget; DFID would need to monitor spending very closely. It was, however, reasonable to “over-programme” given the (unspecified) “uncertainties” and the potential military drawdown in the second half of 2005/06, which might significantly affect what DFID could do in the South.

**299.** The Inquiry has seen no indications that other departments were informed of or consulted on the decision to slip expenditure on the IISP.

**300.** Mr Blair's briefing for the meeting, which was produced by the Cabinet Office, recommended that he focus on three issues:

- combating the insurgency;
- improving the effectiveness of international assistance; and
- getting media messages right, both within and outside Iraq.<sup>174</sup>

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<sup>169</sup> Minute Phillipson to Prime Minister, 19 May 2005, ‘VTC with President Bush, 1220 19 May’.

<sup>170</sup> Letter Quarrey to Siddiq, 19 May 2005, ‘Prime Minister's Video-Conference with Bush, 19 May’.

<sup>171</sup> Letter Quarrey to Siddiq, 26 May 2005, ‘Prime Minister's Conversation with Ja'afari’.

<sup>172</sup> Minutes, 26 May 2005, DOP(I) meeting.

<sup>173</sup> Minute DFID [junior official] to Private Secretary [DFID], 24 May 2005, ‘Iraq Update, 25 May’ attaching Briefing MENAD, 24 May 2005, ‘Iraq Update 25 May Background Note’.

<sup>174</sup> Briefing Cabinet Office, 25 May 2005, ‘Chairman's Brief (DOP(I))’.



**301.** On the second point, the Cabinet Office briefing advised that:

- the pace of reconstruction was still too slow and therefore the “political dividend” was small;
- power supply was “parlous”; and
- UK funding for 2005/06 was almost all committed, requiring “tough Ministerial decisions” after further work by officials.

**302.** The Annotated Agenda for the meeting invited Ministers to consider:

- What impact was US and international funding for reconstruction having on the ground? Disbursement lagged behind stated international commitments. The US was focusing on short-term impact. The UN was re-establishing a presence in Iraq and was starting to “take on the role we would expect of them”. Donor efforts had lacked focus; better donor co-ordination behind an Iraqi figure was one of the planned outcomes of the Brussels International Conference in June.
- What more the UK could do, to further improve UN, World Bank and international bilateral reconstruction efforts?
- What “concrete outputs” did the UK want from the Brussels International Conference and the next donor meeting in Amman in July?
- Was the funding available for reconstruction across Government adequate?
- Was the UK investing at a level that supported its objective of creating stability such that there could be troop withdrawals?
- Was the UK delivering a short-term return which would boost the political process?
- What more the UK could do, to improve power supply over the summer and boost investment in infrastructure?
- Was the UK offering the necessary support to the ITG’s media effort?<sup>175</sup>

**303.** On funding, the Annotated Agenda stated that DFID’s allocation for Iraq was £65m for 2005/06, but that it had already “programmed” £84.3m (£63m of which would be spent in southern Iraq). The tri-departmental Global Conflict Prevention Pool (see Section 12.1) was expected to allocate £25m for Iraq in 2005/06, of which £22m had already been programmed. The MOD would be bidding to the Treasury for additional funding for QIPs, having spent £27m on QIPs since 2003. The MOD’s budget for military activity in Iraq in 2005/06 was £927m.

**304.** In discussion, Ministers commented that the power situation was serious and would get worse over the summer, but the UK was “doing what it could”.<sup>176</sup>

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<sup>175</sup> Annotated Agenda, 26 May 2005, DOP(I) meeting.

<sup>176</sup> Minutes, 26 May 2005, DOP(I) meeting.

**305.** Summarising the outcome of the discussion, Mr Blair asked for more advice on several issues, including a “short strategy” from DFID on engaging key donors.

**306.** DFID sent its donor engagement strategy to the Cabinet Office on 3 June.<sup>177</sup> The DFID strategy advised that a significant portion of the US\$32bn pledged at the Madrid Conference in October 2003 remained unspent. Some donors had spread their money over several years, some had offered soft loans that could only be activated after an agreement on debt relief, some had been waiting for an elected Iraqi Government, and many had experienced difficulties in implementing reconstruction projects in Iraq. One or two donors were “simply back-sliding”. The paper identified 16 countries that the UK should lobby to secure outstanding pledges.

**307.** DFID advised that the US was committed to disbursing its funds as quickly as possible. The UK had limited influence over US policy and did not question its “current thrust”, but should seek to:

- join up US and UK work in southern Iraq;
- encourage the US to participate in donor co-ordination processes in Baghdad; and
- work with the US to encourage other donors and the multilateral agencies to contribute more effectively.

**308.** The UK was lobbying Japan to allocate the bulk of its soft loans (up to US\$3.5bn) to the power sector and exploring with Australia, Denmark and Canada the possibility of co-funding DFID projects in southern Iraq.

**309.** France and Germany remained the “two missing donors”, although France had taken a constructive approach on donor co-ordination and the Brussels International Conference, and Germany was contributing to police training outside Iraq.

**310.** Implementation of reconstruction projects by UN agencies had improved and the UN was playing a valuable role supporting Iraqi-led donor co-ordination. DFID continued to press for further improvements to UN Trust Fund operations.

**311.** DFID also continued to press:

- the World Bank urgently to establish a presence on the ground in Iraq, and to find ways of implementing its projects; and
- the EC to open a permanent office in Baghdad. The EC was already making use of UK life support<sup>178</sup> and security facilities for its increasingly frequent visits to Iraq.

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<sup>177</sup> Email DFID [junior official] to DFID [junior official], 3 June 2005, ‘Iraq donor coordination paper’ attaching Paper DFID, 2 June 2005, ‘Iraq Reconstruction: Engaging USA and Other Key Donors’.

<sup>178</sup> Life support includes accommodation, medical services, catering, laundry and cleaning.

**312.** Mr Quarrey commented to Mr Blair: "... this is OK on what we want the US to do with others, but DFID seem to have given up on influencing how the US spends its own money – still by far the most important funding source".<sup>179</sup>

**313.** Mr Blair saw Mr Quarrey's note, but did not respond.<sup>180</sup>

**314.** On 7 June, Mr Blair and President Bush held talks on a range of foreign policy issues in the White House.<sup>181</sup> In their discussion on Iraq, Mr Blair judged that:

"Ultimately, without an improvement in security, little progress could be made."

**315.** Sir Nigel Sheinwald and Sir David Manning met Dr Rice and Mr Hadley on the same day.<sup>182</sup> Sir Nigel and Mr Hadley agreed that:

"... there was scope for a major US/EU/UN initiative on developing the ability of the international community to build capacity (governance, judiciary etc) in failing states and post-conflict situations. This was the lesson of the Balkans and Iraq, and we still did not have the means to deal with this. Some sort of international co-ordination was necessary."

**316.** Mr Straw visited Iraq on 9 June with the EU Troika – Mr Jean Asselborn (Presidency), Mr Javier Solana (EU Common Foreign and Security Policy High Representative) and Ms Benita Ferrero Waldner (EU External Affairs Commissioner). The British Embassy Baghdad reported that the Troika had brought three main messages:

- support for the political process, and the need for inclusion;
- the importance of the Brussels International Conference, as an opportunity for Iraq to engage with the EU and wider donor community; and
- a shift in Europe. Europe had been divided over the war but was now united in its desire to help the Iraqi people.<sup>183</sup>

**317.** The Embassy reported that, under pressure from Mr Straw, Mr Waldner had told the Iraqi Government and the media that the Commission would open an office in Iraq "in months rather than weeks".

<sup>179</sup> Minute Quarrey to Prime Minister, 3 June 2005, 'Iraq Update'.

<sup>180</sup> Manuscript comment Blair on Minute Quarrey to Prime Minister, 3 June 2005, 'Iraq Update'.

<sup>181</sup> Letter Phillipson to Adams, 7 June 2005, 'Prime Minister's Talks with President Bush, 7 June'.

<sup>182</sup> Letter Sheinwald to Adams, 7 June 2005, 'Dinner with US Secretary of State and National Security Adviser: 7 June'.

<sup>183</sup> eGram 65/2005 Baghdad to FCO London, 10 June 2005, 'Visit of the Foreign Secretary and the EU Troika, 9 June 2005'.

## Fraud in the Southern Iraq Employment and Services Programme

DFID's Southern Iraq Employment and Services Programme (SIESP) was approved in July 2004, providing £10m for infrastructure services and £6m for employment generation.<sup>184</sup> £0.5m was allocated for programme administration.

In May 2005, the DFID Office in Basra closed the employment generation component of the SIESP after an assessment identified "worrying issues". The Office asked DFID's Internal Audit Department (IAD) to visit Basra to review the SIESP and identify lessons, in particular for the implementation of DFID's Iraq Infrastructure Services Programme (IISP).

The IAD identified several flaws in the design of the component. It concluded that:

- A "key driver" of the SIESP had been "political (and consequent senior management) pressure in Whitehall and beyond to achieve visible results ... In retrospect, these pressures appear unreasonable but at the time were generally irresistible." Warnings against proceeding with a programme of "such high fiduciary risk and intangible benefit" had not been heeded.
- There had been limited advisory input from DFID headquarters.
- The initial decision to work through the newly formed (and unelected) Iraqi Provincial Councils (PCs) had been a misjudgement. They had limited capacity and there was evidence of widespread corruption in their operation.
- A later decision to work through local NGOs had not improved performance. Many NGOs had been set up solely to secure funding from donors. They had limited capacity, lacked local knowledge, and had proved to be "largely unreliable and/or corrupt".
- The lack of physical monitoring had undermined implementation. The security situation meant that there was little chance of DFID staff visiting projects funded under the SIESP. In Maysan, where the security situation was particularly difficult, the UK military had managed the employment generation component of the SIESP directly (bypassing the PC). The military had undertaken some monitoring as part of routine patrolling, but that had not been "adequate". The IAD concluded that the inability to monitor progress indicated that Iraq "was not ready for this type of development intervention".
- Weaknesses in the DFID Office in Basra had contributed to the problems within the SIESP. The Office had been set up "hastily under pressure from UK and locally to show a DFID presence". It had proved very difficult to recruit staff for Iraq, leading to the appointment of staff with "little or no experience in managing programmes or staff".
- The DFID Office in Basra had established "good controls" over SIESP finances. The Office's decision to close the employment generation component immediately after its initial assessment had saved £3m (the amount remaining in the employment generation budget).

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<sup>184</sup> Report DFID Internal Audit Department, 11 August 2005, 'Visit Report: Basra, Iraq 26<sup>th</sup> – 31<sup>st</sup> July 2005'.

- Of the £3m that had been spent, the IAD estimated that over £2m had been spent in a way “that did not meet [the SIESP’s] objectives”. The lack of physical monitoring made it difficult to be more precise.

The IAD assessed that the incident had soured the relationship between DFID and the PCs and adversely affected DFID’s reputation and credibility with Iraqi interlocutors, the UK military, other donors and “bona fide NGOs”.

The IAD report detailed a number of lessons for the IISP.

In May 2006, DFID conducted an internal review in order to determine the extent of the loss from the SIESP employment component.<sup>185</sup> The review concluded that:

- £254,105 had been spent on projects where there was clear evidence of full or partial misuse of money, based on monitoring by DFID staff.
- £296,187 had been spent on projects where there was “**no clear evidence of either good use or misuse of money** (because there was no monitoring information on file) but where anecdotal evidence from interviews suggested that some percentage of the projects were not successfully completed”.
- £1,021,223 had been spent on projects which DFID was “reasonably confident” had been successfully completed, based on information on file (in the form of photographs or visit reports) or anecdotal evidence.

The review stated that even those projects where there was evidence of misuse had “added economic value to Iraq, though less than was originally intended”.

The review set out the methodology it had used to categorise projects, including that in the absence of information to the contrary, the existence of monitoring information on a project was taken as evidence that the project had been successfully completed:

“For the remaining project ... we have no monitoring reports in the file. However, there is a CD [compact disc] in the file which shows a street with sewage and garbage, and provides a commentary (in Arabic) which explains what work needs to be done. Because we have no other information, and no reason to believe that funds were not used according to the purposes intended, we assume that this project was successful.”

Dr Nemat Shafik, DFID Permanent Secretary from March 2008, told the Inquiry how DFID had reacted to the fraud within the SIESP:

“We have a zero tolerance policy on corruption and we act on it immediately. The then Provincial Council was very unhappy with us as a result ... But on that, we don’t compromise.

“That [the SIESP] is ... the only case that we are aware of, where we had a significant fraud, which, given the scale of the funds that we were disbursing, and given the context, is, I think, a pretty good track record.

“In the case of the Iraq portfolio ... we actually had a higher level of scrutiny than our normal portfolio because of the risks involved. So we would get monthly reporting on risks, security risk, staff risk, risks to our money ...”<sup>186</sup>

<sup>185</sup> Minute Hendrie to Dinham, 19 May 2006, ‘SIESP Employment Generation Project’.

<sup>186</sup> Public hearing, 13 January 2010, pages 54-55.

**318.** A draft Cabinet Office paper entitled ‘Funding for Iraq 2005/06’ was circulated with the record of the 3 June meeting of the ISG.<sup>187</sup> The draft paper stated that:

“The UK now has a realistic prospect of reducing troop numbers over the next nine months – and should benefit from a reduction in costs in Iraq as a result. Both to ensure Iraqi capacity and consent during this process, and to meet Iraq’s development needs, reconstruction on the ground needs to continue ... However, [the UK’s] resources for Iraq are already overstretched. Ministers will therefore need either to agree a strict prioritisation of assistance, or consider whether additional funds should be made available.”

**319.** The Cabinet Office draft paper set out the funding currently available for Iraq for 2005/06:

- DFID had £65m available and had commitments of £86.6m.
- The GCPP had £23.3m available (an accurate figure for commitments was not yet available).
- The MOD forecast “military operational” costs of £927m (a figure for QIPs was not yet available).

**320.** An Annex to the draft paper advised that DFID would need to manage its programme very carefully in order to come within the £65m budget. Some (unspecified) spending could be delayed, and DFID was urgently seeking co-financing for projects from other donors, including the World Bank. An improvement in the security situation would help: £28m of the £86.6m was expected to be spent on security and life support.

**321.** Of the £86.6m committed to existing high-priority activities:

- £63.8m (74 percent ) was committed to projects in southern Iraq.
- £14.6m (17 percent) was committed to projects supporting central Government.
- £7.2m (8 percent) was committed to projects supporting political participation (“elections, media, support to civil society groups”).
- £1m was committed to multilateral organisations.

**322.** Ms Aldred told the 10 June meeting of the Iraq Senior Officials Group (ISOG) that Ministers needed to consider funding for Iraq “in the round”, and alongside funding for Afghanistan.<sup>188</sup> A Treasury official agreed, and said that any submission to Ministers on funding needed to make the link between activity and the UK’s objectives.

**323.** The ISOG agreed that officials would finalise the draft paper “to coincide with” the 14 July meeting of DOP.

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<sup>187</sup> Minute Cabinet Office [junior official] to Sheinwald, 7 June 2005, ‘Iraq: Strategy Group’ attaching draft Paper, [undated], ‘Funding for Iraq 2005/06’.

<sup>188</sup> Letter Cabinet Office [junior official] to Asquith, 13 June 2005, ‘Iraq: Senior Officials’.

**324.** A DFID official briefed the ISOG on the impact of the US reconstruction effort. He advised that “the US was well aware of its failings ... and there was little we could tell them that they didn’t already realise and were actively trying to change”. The most significant impact DFID could have on the US was by working jointly with them in the South.

**325.** The Cabinet Office paper on funding for Iraq was finalised for the 21 July meeting of DOP, chaired by Mr Blair, which considered whether or not the UK Provincial Reconstruction Team (PRT) in Afghanistan should move from the north to Helmand and what, if any, additional force package should be deployed to support it (see Section 9.4).<sup>189</sup>

**326.** The Cabinet Office paper, which was presented as an appendix to the main MOD paper, set out the estimates of financial pressures associated with the Iraq campaign for 2005/06, 2006/07 and 2007/08.

**327.** On 17 June, a junior DFID official invited Mr Benn to endorse the “annual review” of DFID’s Interim Country Assistance Plan (I-CAP).<sup>190</sup>

**328.** In his covering minute, the official advised that the I-CAP (which had been published in February 2004) had been expected to remain in place for two years, and contained a commitment to undertake a “substantial review” after one year.

**329.** However, events had “pre-empted a pro-active review”. Those events were:

- the exchange between Mr Blair and Mr Benn in October 2004 on the need to accelerate the pace of reconstruction and increase the impact of DFID’s bilateral programme in the short term;
- Mr Chakrabarti’s and Mr Drummond’s visit to Iraq in December 2004 to review DFID programmes and assess priorities for 2005;
- Mr Benn’s agreement in December 2004 to priorities for 2005;
- the agreement in February 2005 of the 2005 UK Iraq Strategy. That Strategy included “most of the items that we suggested”, and was in line with priorities agreed by Mr Benn; and
- subsequently, “unexpected and significant funding constraints” arising from a smaller than expected budget for 2005/06 and an increase in life support costs levelled by the FCO.

<sup>189</sup> Paper MOD Officials, 19 July 2005, ‘Afghanistan: Resources and Strategic Planning’.

<sup>190</sup> Minute DFID [junior official] to Private Secretary[DFID], 17 June 2005, ‘Iraq: Interim Country Assistance Plan: Annual Review’ attaching Paper DFID, [undated], ‘DFID: Iraq Country Assistance Plan Review 2004/5’.

**330.** The official also advised that:

“A major constraint to DFID’s programme, not highlighted in the I-CAP review, is the limited capacity of Iraqi institutions to drive forward reform and reconstruction. This is exacerbated by the short political horizons inherent in the Transitional Administrative Law (TAL), which militate against far-reaching reform. Corruption is also becoming increasingly apparent and might become the main constraint on reconstruction and development if security were to improve significantly.”

**331.** The I-CAP review comprised short reports on:

- political and economic progress in Iraq;
- progress on reconstruction. Deteriorating security – identified as a key risk in the I-CAP – was a major constraint. Projected costs of UK staff working in Iraq for 2005/06 were more than £500,000 per person-year;
- the activities of other donors;
- key challenges for reconstruction in 2005/06. Those included the limited life-span of the IIG and the ITG, which affected their ability to implement major reforms; and
- examples of the impact of DFID projects in 2004/05.

**332.** The I-CAP review stated that:

“DFID’s work programme has evolved to take account of the difficult security situation and the absence of some traditional donors. The objectives and approach set out in our I-CAP remained valid.”

**333.** DFID would:

- continue to promote broader and more effective international support;
- continue and deepen work at the national level to build Iraqi capacity and encourage greater Iraqi leadership of reconstruction; and
- “expand and accelerate” DFID’s programme in the South, where high levels of poverty persisted.

**334.** There are no indications that other government departments or international partners contributed to the production of the I-CAP review.

**335.** The I-CAP review submitted to Mr Benn was not the “substantial review” promised in the I-CAP. In particular, it did not:

- provide a comprehensive assessment of the political, economic and social context in Iraq, reflecting the major changes since the I-CAP had been produced, including the existence of a sovereign Iraqi Government (with its own priorities and constraints) and the profound impacts of growing insecurity;



- consider the lessons that DFID had identified since the I-CAP was produced, and how it would respond to them;
- consider how the reconstruction effort could and should contribute to broader UK objectives; and
- consider whether the level of resources available to achieve DFID’s objectives in Iraq was right, and whether DFID was working in the most effective way.

**336.** In the absence of that analysis, the I-CAP review could not (and did not) test the position that DFID had reached.

**337.** Mr Anderson visited Iraq from 13 to 18 June.<sup>191</sup>

**338.** In his report to Mr Dinham, copies of which were sent to officials in DFID, the FCO and the MOD, Mr Anderson identified a number of “strategic issues”, including the expected decline in the amount of aid going to Iraq. US funding would decline from US\$18.4bn over two years (the current IRFF2 package) to around US\$1bn in 2006/07. Japanese grants were “now exhausted” and DFID’s programme would decline in 2006/07. There might be “modest increases” in UN and World Bank programmes but “even in the most optimistic scenario, there will be a dramatic decline in aid levels due to the changing US position”.

**339.** That rapid decline raised three strategic issues:

- What impact would declining aid have on security?
- Was this the right time for donors to be reducing aid? Research showed that aid during or immediately following conflict tended to be wasted. It was most effective between four and seven years after a conflict.
- Was DFID right to treat Iraq as a MIC? The planned decline in DFID’s programme was based on the “premise” that Iraq had adequate resources to fund its own development. But did that hold true when security was poor and oil revenues difficult to obtain?

**340.** DFID has not been able to provide the Inquiry with any response from Mr Dinham, or any record of a discussion of aid volumes.<sup>192</sup>

**341.** Dr John Reid, the Defence Secretary, circulated a paper on the options for future UK force posture in Iraq to DOP(I) on 16 June (see Section 9.4).<sup>193</sup>

**342.** The paper stated that there was a “clear UK military aspiration” to transfer security responsibilities to Iraqi forces in Muthanna and Maysan in October 2005, with the remaining MND(SE) provinces (Basra and Dhi Qar) following in April 2006. That was

<sup>191</sup> Minute Anderson to Dinham, 19 June 2005, ‘Back to Office Report: Iraq 13 – 18 June’.

<sup>192</sup> Email DFID [junior official] to Iraq Inquiry [junior official], 19 June 2013, ‘Iraq Inquiry New Queries’.

<sup>193</sup> Paper Reid, 14 June 2005, ‘Options for Future UK Force Posture in Iraq’.

expected to lead to a significant reduction in the overall level of UK troops in Iraq from around 8,500 to around 3,000 personnel.

**343.** On 22 June, over 80 countries and organisations participated in the International Conference in Brussels.<sup>194</sup> The Conference was co-hosted by the EU and US. Mr Straw led the UK delegation. The Box below describes the UK's engagement in the development of the Conference.

**344.** The UK Permanent Representation to the EU in Brussels (UKRep) reported that, at the Conference, the ITG had set out its vision for the future and asked the international community to provide more support. Iraq had received many promises in return; both the Iraqi and the US delegations had emphasised the need to translate those into action on the ground.

**345.** UKRep commented that the Conference had been “a further successful step” in enhancing EU (and wider) engagement in Iraq, following the visit of the EU Troika to Iraq earlier that month. UKRep had taken the opportunity to brief the EC on the help it could expect from the UK in opening an office in Baghdad; UKRep would keep pushing to achieve that by the end of the year.

### The International Conference on Iraq, 22 June 2005

Planning began in early 2005 for an International Conference on Iraq, to be co-hosted by the EU and US.

Mr Straw advised Mr Blair on 24 March that the UK was working closely with the US to define the scope and objectives of the Conference.<sup>195</sup> Key objectives included:

- ensuring an inclusive process to build a wide base of international support for the Iraqi political process; and
- a reformed approach to donor co-ordination.

US and UK officials discussed the Conference on 31 March.<sup>196</sup> The US saw the ITG being in the lead, and using the Conference to set out their “broad direction” and secure international support for it. Mr Crompton said that the UK agreed with that approach, and suggested that “deliverables” from the Conference should include:

- agreement on an improved mechanism for international assistance; and
- securing EU support for the rule of law.

An FCO official advised the 6 May meeting of the Iraq Strategy Group that the EU and US were not working towards the “outcome orientated” Conference that the UK had hoped for.<sup>197</sup> Sir Nigel Sheinwald said that the UK should not invest enormous effort into shaping the Conference as it was not “mission critical”.

<sup>194</sup> Telegram 7391/05 UKRep Brussels to FCO London, 23 June 2005, ‘Iraq International Conference, Brussels 22 June’.

<sup>195</sup> Minute Straw to Prime Minister, 24 March 2005, ‘Iraq: Ad Hoc Ministerial Meeting’.

<sup>196</sup> Minute Cabinet Office [junior official] to Sheinwald, 1 April 2005, ‘Iraq: VTC with US Inter-Agency Team’.

<sup>197</sup> Minute Cabinet Office [junior official] to Sheinwald, 9 May 2006, ‘Iraq: Strategy Group’.

**346.** Mr Blair met Prime Minister Ja'afari on 27 June.<sup>198</sup>

**347.** Mr Quarrey's briefing for Mr Blair suggested that the main points to cover included:

- The International Conference. The UK judged that the Conference had been a success, even if concrete outcomes had been thin.
- Reconstruction. The UK was constantly pressing for the better use of reconstruction funds "so that we get a political dividend". The UK should encourage Prime Minister Ja'afari to take a similarly close interest.

**348.** Mr Quarrey's record of the meeting indicates that the discussion focused on security and the constitutional process, and that reconstruction was not raised.<sup>199</sup>

**349.** On 5 July, the British Embassy Baghdad provided an assessment on progress on donor co-ordination.<sup>200</sup> Some progress had been made before and during the International Conference, but a gap was emerging between Iraqi expectations (more money) and what was needed (better Iraqi strategy and clearer priorities). The ITG had advised donors to "do anything, because everything is a priority".

**350.** Mr Blair met President Bush in the margins of the G8 Summit on 7 July (see Section 9.4).<sup>201</sup> Mr Blair said that the US and UK objective must be to divide Sunni insurgents from foreign jihadists.

**351.** At its meeting on 13 July, the JIC reviewed the effectiveness of efforts to bring Sunni Arabs into the political process.<sup>202</sup> It judged that:

"Winning over Iraq's Sunni Arab population is key to reducing the insurgency over time ..."

**352.** Sunni political and insurgent groups did not have a unified strategy. There was a range of Sunni political objectives: demand for a timetable for MNF withdrawal and the release of detainees featured strongly. The JIC continued:

"Sunnis also want to ensure they benefit economically from Iraq's natural resources (held in predominately Shia and Kurd areas), gain access to jobs and markets, and see greater evidence of reconstruction – so far efforts to rebuild Sunni areas have been disproportionately hampered by the security situation."

<sup>198</sup> Minute Quarrey to Blair, 24 June 2005, 'Iraq: Your meeting with Prime Minister Ja'afari, 27 July [sic]'.

<sup>199</sup> Letter Quarrey to Siddiq, 27 June 2005, 'Iraq: Prime Minister's Meeting with Jaafari'.

<sup>200</sup> eGram 8254/05 Baghdad to FCO London, 5 July 2005, 'Iraq: Donor Coordination Sitrep and Prospects for Amman Donor Conference'.

<sup>201</sup> Letter Sheinwald to Adams, 8 July 2005, 'Prime Minister's Meeting with President Bush, 7 July'.

<sup>202</sup> JIC Assessment, 14 July 2005, 'Iraq: Outreach to Sunni Arabs'.

**353.** Mr Straw sent an Iraq Oil and Gas Strategy to Mr Blair on 12 July.<sup>203</sup> The strategy, which had been developed by FCO, Department of Trade and Industry (DTI) and DFID officials over the previous month, defined three UK objectives:

- “The development of an efficient, outward-looking and transparent oil and gas industry, capable of delivering sustainable export revenues to meet the development needs of the people of Iraq and meeting domestic needs for energy in an efficient, equitable and secure manner.
- Increasing involvement of the private sector, leading to sustained investment over the next five to 10 years and substantial business for UK companies ...
- To promote Iraq’s role in international oil and gas markets and as a constructive influence within OPEC.”

**354.** Mr Quarrey marked the strategy to Sir Nigel Sheinwald with the comment: “I do not intend to put in the box! Looks OK.”<sup>204</sup> Sir Nigel agreed.<sup>205</sup>

**355.** The UK revisited the strategy in March 2006, and retained those objectives.<sup>206</sup>

**356.** The strategy and the UK’s engagement on oil and gas issues are considered in Section 10.3.

**357.** Deputy Prime Minister Salih launched the ITG’s National Development Strategy (NDS) at the fourth meeting of the IRFFI Donor Committee in Amman on 18 and 19 July.<sup>207</sup> The IIG had launched an earlier national strategy in Tokyo in 2004.

**358.** In his introductory remarks, Mr Salih said that the high level of unemployment in Iraq was fuelling economic despair and insecurity. The reconstruction effort had focused on large-scale, capital-intensive infrastructure projects. Those “mega-projects”, though appropriate and essential, had not succeeded in providing Iraq’s basic needs quickly enough. The answer was to complement them with “community-level” projects that demonstrably changed people’s lives for the better.

**359.** Mr Salih highlighted the shortfall in funding for electricity supply. The October 2003 World Bank/UN Joint Needs Assessment had estimated that US\$20bn would be required to restore power to 1990 levels. Less than half that amount had been allocated. Production averaged around 5,000MW against a demand of 20,000MW.

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<sup>203</sup> Letter Straw to Blair, 12 July 2005, ‘Iraq: Oil and Gas Strategy’ attaching Paper FCO/DTI/DFID, [undated], ‘Iraq: Oil and Gas Strategy’.

<sup>204</sup> Manuscript comment Quarrey to Sheinwald, 13 July 2005, on Letter Straw to Blair, 12 July 2005, ‘Iraq: Oil and Gas strategy’.

<sup>205</sup> Manuscript comment Sheinwald to Quarrey on Letter Straw to Blair, 12 July 2005, ‘Iraq: Oil and Gas Strategy’.

<sup>206</sup> Paper IPU/FCO, 28 February 2006, ‘UK Objectives for Iraq’s Oil and Gas Sector’.

<sup>207</sup> International Reconstruction Fund Facility for Iraq, 18 July 2005, *Speech by H E Barham Salih Minister of Planning and Development Cooperation to the International Reconstruction Fund Facility Committee Meeting, Dead Sea, Jordan, 18-19 July 2005*.

**360.** The NDS was organised around four “key drivers of prosperity”:

- strengthening the foundation for economic growth;
- revitalising the private sector;
- improving quality of life; and
- strengthening good governance and improving security.<sup>208</sup>

**361.** DFID officials in Iraq commented on the NDS: “Better than before (Tokyo) but still weak on identification of priorities and objectives. No understanding that resource constraints will force ITG and donors to make tough choices.”<sup>209</sup>

## Preparing for transition to Iraqi control in the South

**362.** The 15 July meeting of the ISG considered a draft version of a paper from Dr John Reid, the Defence Secretary, on operational transition in Iraq (see Section 9.4).<sup>210</sup>

**363.** Dr Reid described a process in which Iraqi Security Forces would take primacy province by province. The MNF would take on a reserve role as they did so. So long as Iraqi capacity continued to increase and the security situation did not deteriorate seriously, the transfer would be implemented from October in Maysan and Muthanna. Basra and Dhi Qar would follow in spring 2006. This would lead to a reduced profile for UK forces, and reductions in numbers to around 3,000 by summer 2006.

**364.** The ISG made a number of recommendations for improving the paper, including that it needed to cover more clearly the implications for other government departments and international actors.<sup>211</sup>

**365.** DOP(I) met on 21 July, chaired by Mr Blair, and considered Dr Reid’s paper on operational transition.<sup>212</sup>

**366.** The revised paper stated:

“It is ... possible that other (FCO and DFID) activity in Iraq aimed at developing the Iraqi Police Service and reconstruction will need to be curtailed or reduced, with consequent implications for HMG’s wider effort, because of the difficulties of running projects without UK military support and protection. This will need to be looked at in more detail with Other Government Departments.”<sup>213</sup>

<sup>208</sup> Iraqi Strategic Review Board, 30 June 2005, *National Development Strategy 2005 – 2007*.

<sup>209</sup> Report DFID, 11 July 2005, ‘DFID Iraq Weekly Summary, 11 July’.

<sup>210</sup> Letter Cabinet Office [junior official] to Iraq Senior Officials, 15 July 2005, ‘MOD Paper on Operational Transition in Iraq’ attaching Paper MOD, [undated], ‘Operational Transition in Iraq’.

<sup>211</sup> Letter Cabinet Office [junior official] to Sheinwald, 15 July 2005, ‘Iraq Strategy Group’.

<sup>212</sup> Minutes, 21 July 2005, DOP(I).

<sup>213</sup> Paper Secretary of State for Defence, 18 July 2005, ‘Operational Transition in Iraq’.

**367.** The section on “handling” in the previous draft had been expanded to include “NGOs”:

“The announcement [of] any drawdown of UK forces in the South will have to be carefully managed to ensure that there is no loss of confidence by NGOs (in particular the UN agencies and the World Bank), which might lead them to postpone plans for greater engagement in Iraq.”

**368.** The section on resources had also been expanded:

“Other Government Departments operating in Iraq may ... face increased security costs as they are forced to seek commercial alternatives to military force protection.”

**369.** DOP(I) agreed Dr Reid’s recommendation that, subject to the continuation of current trends in the capacity of the Iraqi security forces and to there being no major deterioration in the security situation, the UK should plan to implement transition to Iraqi control in Maysan and Muthanna from around October 2005, and in Dhi Qar and Basra from around March 2006.<sup>214</sup>

**370.** DOP(I) commented that too much of the money allocated for reconstruction had been spent on foreign contractors and security.<sup>215</sup> The UK should now be focusing on delivering through Iraqi structures.

**371.** DOP(I) also considered an FCO paper entitled ‘Splitting the Jihadists from the National Opposition’.<sup>216</sup> The FCO recommended action on eight “lines”, the last of which was reconstruction:

“**Rapid implementation** of reconstruction projects, specifically following large scale anti-insurgency operations or local cease-fires:

“**Aims:** Demonstrate ITG/MNF ability to rebuild and compensate following operations/cease-fires. Quick support to Iraqi capacity to deliver. Installation of basic services. Establishment of political and security structures. Employment creation. Deny opportunity to insurgency to work up dissatisfaction.

“**Means:** ... Key donors and ITG to review how to reprogramme/redefine donor assistance to make available rapidly disbursable aid (eg. creation of a special fund for quick impact projects in politically sensitive areas), including from the private sector. Media (foreign and Iraq) coverage of successful redevelopment projects.”

**372.** DOP(I) agreed the “broad approach” set out in the FCO paper.<sup>217</sup>

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<sup>214</sup> Minutes, 21 July 2005, DOP(I) meeting; Paper Secretary of State for Defence, 18 July 2005, ‘Operational Transition in Iraq’.

<sup>215</sup> Minutes, 21 July 2005, DOP(I) meeting.

<sup>216</sup> Paper FCO, 18 July 2005, ‘Iraq: Splitting the Jihadists from the National Opposition’; Minutes, 21 July 2005, DOP(I) meeting.

<sup>217</sup> Minutes, 21 July 2005, DOP(I) meeting.

## Responding to the new US Clear-Hold-Build strategy

**373.** Ambassador Zalmay Khalilzad succeeded Ambassador John Negroponte as the US Ambassador to Iraq in June 2005.<sup>218</sup>

**374.** To assess the situation and propose a way forward, Ambassador Khalilzad established a Joint Civil-Military Strategic Planning Group, generally known as the Red Cell or Red Team. The Red Team was tasked to devise a plan that would break the back of the insurgency within one year and defeat it within three.

**375.** Before Ambassador Khalilzad's arrival in Iraq, the DoD and the State Department had initiated independent reviews of reconstruction strategy (led by General Gary Luck and Ambassador Richard Jones respectively). Those reviews informed the new approach developed by Ambassador Khalilzad.

**376.** A key issue was the amount of US funding that remained available. After a slow start, the US reconstruction effort was "in high gear". Of the US\$18.4bn appropriated for IRRF2, three-quarters had been obligated and one-third disbursed.

**377.** Ambassador Khalilzad met Mr Adam Ingram, Minister of State for the Armed Forces, on 20 July.<sup>219</sup> The Ambassador raised the subject of Provincial Reconstruction Teams (PRTs), some of which had worked well in Afghanistan, and asked whether there was a role for them in Iraq. Mr Ingram wondered whether PRTs would, in many parts of Iraq, be too exposed. He also commented that "one of the problems of even considering such fresh approaches ... was the risk that they could be leaked".

**378.** Ambassador Khalilzad offered to share US thinking on PRTs with the UK, including on whether projects should be driven by "operational security" or longer-term development goals.

**379.** Mr William Patey, Mr Chaplin's successor as British Ambassador to Iraq, reported on 27 July that the availability of electricity and fuel was barely different from a year earlier.<sup>220</sup> Progress was being made, but it would be "a long haul" and managing Iraqi expectations would be key. He commented:

"Ordinary Iraqis are becoming increasingly frustrated that, over two years after Saddam's fall, there has been little discernible improvement to essential services ...

"Ultimately, the Iraqis need to plan much longer term ... There needs to be an integrated energy strategy ... The current focus – including from US advisers – is short-term. DFID is funding two advisers to help the Ministry of Electricity (and Ministry of Oil) develop a coherent longer-term strategy, including creating the legal

<sup>218</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>219</sup> Minute Johnson to DJC DD Iraq, 22 July 2005, 'Minister(AF) Meeting with Ambassador Khalilzad'.

<sup>220</sup> Telegram 9933/05 Baghdad to FCO London, 27 July 2005, 'Iraq: Oil and Electricity: Are Things Getting Better?'.

and regulatory framework to encourage investment. We should continue to support this as the only means of creating a sustainable electricity network in Iraq.”

**380.** Mr Quarrey passed the report to Mr Blair, with the comment:

“The conclusion that the only solution is a long-term plan is consistent with DFID’s approach but fails to address the damage done in the meantime to the political process.”<sup>221</sup>

**381.** Lieutenant General Robin Brims, the Senior British Military Representative, Iraq, reported to Gen Walker on 31 July that “the US with ourselves” were establishing a “Red Cell” to examine critically counter-insurgency strategy.<sup>222</sup>

**382.** Mr Anderson advised Mr Benn’s Private Secretary on 12 August that, despite intensive efforts by DFID and MND(SE), Op AMPERE (the US\$10m point power generation project developed by MND(SE) and DFID and approved in March 2005) had not met its objective of providing additional power during the summer months.<sup>223</sup> The failure had been due primarily to inexperienced suppliers, poor security and a lack of access. Six of the planned 10 generators had now been commissioned; work continued to commission the remaining four.

**383.** The Red Team reported on 31 August.<sup>224</sup> Section 9.4 describes the report and the UK’s response in detail.

**384.** The Red Team assessed that the coalition’s current strategy – based on transitioning security responsibilities to the Iraqi Government – would enable coalition forces to disengage from Iraq but would leave Iraqi Security Forces that would not be able to defeat the insurgency in the foreseeable future.

**385.** The Red Team proposed an alternative strategy, based on what it described as the “classic ‘ink spot’ counter-insurgency model”, which sought to create success in small areas and then steadily expand outwards until the areas flowed together to form larger regions of security.<sup>225</sup> Military operations were to be more closely co-ordinated with “political-economic actions” tailored to the specific needs of local communities. Action was also needed at the national level, to set the conditions for the counter-insurgency campaign.

**386.** The report proposed that a Joint Inter-Agency Counter-Insurgency Task Force should be established to plan, co-ordinate and implement governance reform and economic sector development work in support of the counter-insurgency campaign.

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<sup>221</sup> Minute Quarrey to Prime Minister, 29 July 2005, ‘Iraq Update’.

<sup>222</sup> Minute Brims to CDS, 31 July 2005, ‘SBMR-I Weekly Report (172) 31 July 2005’.

<sup>223</sup> Minute Anderson to Private Secretary [Benn], 12 August 2005, ‘Iraq Situation Update’ attaching Report DFID, [undated], ‘Iraq Situation Report: 12 August’.

<sup>224</sup> Red Team Report, 31 August 2005, ‘An integrated Counterinsurgency Strategy for Iraq’.

<sup>225</sup> Red Team Report, 31 August 2005, ‘An integrated Counterinsurgency Strategy for Iraq’.



**387.** Sir Nigel Sheinwald’s advice to Mr Blair on the Red Team report focused on political and security aspects of the proposed strategy.<sup>226</sup> On the economic aspect of the proposed strategy, he commented:

“There is nothing new to say here. There will be no serious reconstruction effort for as long as the security situation remains bad, and political engagement at national and local levels remains poor ...

“There is little point in talking about a new surge of economic reconstruction until we see the shape of the next Iraqi Government.”

**388.** *Hard Lessons* identified the Red Team report as one important element of the US strategy review and development process initiated by Ambassador Khalilzad which, by the autumn of 2005, had produced a new approach comprising:

- A renewed focus on broadening Sunni participation in the political process.
- Defeating the insurgency using the “ink-spot” model (articulated by the Red Team and others). That required closer integration of military and civilian resources and the use of civilian reconstruction resources as part of a military-led campaign, and a shift away from large infrastructure projects towards smaller, Iraqi-led projects designed to deliver jobs and services to the most vulnerable, violent and politically significant neighbourhoods.
- Increased support for provincial governments, including through the deployment of PRTs into provinces.
- Increased support for central government institutions, including by embedding civilian advisers. The increased support for provincial and central government reflected US analysis that their strategy of “pulling back to let the Iraqis do it themselves” had failed; provincial governments remained weak and disconnected from central government.<sup>227</sup>

**389.** The new strategy would become known as “Clear-Hold-Build”.

**390.** On 19 September, two UK soldiers were arrested by the Iraqi Police Service in Basra, following an incident in which they killed one Iraqi police officer and wounded another (see Section 9.4). The soldiers, and six negotiators who had attempted to secure their release and who had also been detained, were subsequently released in an armed operation undertaken by MND(SE). The episode became known as the Jameat incident.

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<sup>226</sup> Minute Sheinwald to Prime Minister, 19 September 2005, ‘Iraq: UK Strategy’.

<sup>227</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**391.** Mr James Tansley, the British Consul General in Basra from September 2005 to April 2006, told the Inquiry:

“The Jameat incident effectively destroyed working relationships between ourselves and Basra Council and the governorate. Although we patched things up, there was still an underlying suspicion, and it was difficult to build ... particularly constructive relations with the officialdom or the government in Basra province throughout my time.”<sup>228</sup>

**392.** Mr Tansley commented that the combination of deteriorating security and, following the Jameat incident, political constraints limited the progress that the UK could make on reconstruction, SSR and preparing for the transfer of provincial control to the Iraqi authorities.

**393.** Against a background of increasing insecurity, DFID continued to press the World Bank to accelerate disbursement from its Trust Fund and to establish a presence in Iraq.

**394.** Dr Shafik met Mr Chrik Poortman, World Bank Vice-President for the Middle East, on 20 September.<sup>229</sup> Mr Poortman argued that the rate of disbursement from the Bank’s Trust Fund was comparable with other post-conflict countries and expressed concern that faster disbursement could increase the risk of corruption. He also regretted the UK’s “continual public criticism” of the rate of disbursement, which was damaging the Bank’s ability to attract donor support.

**395.** The report of the meeting was copied to DFID and Treasury officials. Mr Anderson commented:

“Chrik’s arguments about disbursement rates are technically correct ...

“That the Bank’s disbursement in Iraq is comparable to other ... countries is beside the point – aid to Iraq is not business as usual. That Iraq requires a different approach ... is the core point that Chrik does not accept.”<sup>230</sup>

**396.** Mr Chakrabarti met Mr Poortman a few days later.<sup>231</sup>

**397.** Mr Chakrabarti’s briefing for the meeting stated that the Bank’s presence in Iraq comprised one international consultant (now funded by the Bank, formerly by DFID) and seven local staff. Of the US\$400m committed to the World Bank Trust Fund, only US\$31m had been disbursed by July. DFID still saw the Trust Fund “as an emergency fund to be disbursed quickly”.

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<sup>228</sup> Public hearing, 22 June 2010, page 57.

<sup>229</sup> Email DFID [junior official] to Dinham and Anderson, 20 September 2005, ‘Read-out from Minouche/Rain Meeting with Chrik’.

<sup>230</sup> Email Anderson to Newton-Smith, 21 September 2005, ‘Chrik’s Views’.

<sup>231</sup> Briefing DFID, [undated], ‘Chrik Poortman Meeting – Washington, 24-25 September 2005’.

**398.** The briefing also stated that the World Bank had agreed to channel US\$21m from its Trust Fund to a power project in Najibiyah, through DFID's IISP. The Najibiyah project had, however, floundered in the absence of Iraqi Government support; DFID was exploring "all possible alternative options" for the funding.

**399.** On 30 September, Mr Dinham sent Sir Nigel Sheinwald a paper providing an "honest assessment" of progress on reconstruction, following a discussion between Mr Dinham and Sir Nigel earlier that month.<sup>232</sup>

**400.** The DFID paper listed the achievements that had been made in re-establishing the economy, electricity generation, water and sanitation, employment, education, health, and transport and communications. DFID also listed factors which had hindered reconstruction:

- insecurity, which meant that few other donors had a presence on the ground in Iraq;
- poor co-ordination and little buy-in from the Iraqi Government and local authorities;
- limited capacity of Iraqi institutions and rapid turnover of political figures;
- "large additional funds ... are unlikely to accelerate progress on reconstruction without corresponding policy and institutional reform and capacity building";
- security costs had "eaten into" reconstruction funds;
- the US had been "distracted by hotspot cities" at the expense of a "strategic reconstruction programme". Significant amounts of US funding had been re-allocated from basic services to tackle security and oil;
- problems with the sustainability of large-scale projects; and
- unrealistic Iraqi and international expectations. In other countries, DFID allowed between five and 15 years for "the first phase of governance projects", to allow time for institutional culture to change. In Iraq, international partners were trying to reform institutions in less than two years.

**401.** DFID concluded:

"A carefully balanced approach is needed: on the one hand, an acceptance of the realistic pace of reconstruction will help to manage expectations and encourage more sustainable, long-term projects; on the other hand, some continuation of high-profile, short-term activity will be needed to provide signs of visible progress while longer-term activity is under way."

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<sup>232</sup> Letter Dinham to Sheinwald, 30 September 2005, 'Iraq: Reconstruction Situation' attaching Paper DFID, [undated], 'DFID Information Note on Reconstruction Progress in Iraq'.

**402.** Mr Quarrey passed the DFID paper to Sir Nigel with the comment:

“This has more detail than we’ve seen for a while, and in some areas looks reasonably encouraging. But overall the picture is still pretty bleak. What the paper does not give is (a) much sense of what is happening now (eg what’s getting better or worse); and (b) whether there is much we can do about it. I think we have other, more immediate priorities for No.10 effort in the short term. Do you want to do anything with this?”<sup>233</sup>

**403.** Sir Nigel was more critical:

“I take a less positive view. I see it as a lot of useless, mostly input, statistics. But there’s little on outputs, no comparison of pre-invasion and now, no case studies, no sense of Najaf then and now. ie not what I asked for.”<sup>234</sup>

**404.** The Inquiry has seen no indication that the paper was passed to Mr Blair, or that No.10 or Sir Nigel responded to DFID.

**405.** Also on 30 September, Mr Straw’s Principal Private Secretary sent Mr Quarrey a paper containing the joint advice of FCO, MOD and DFID officials on the implications of the Jameat incident.<sup>235</sup> Mr Straw had not yet seen and agreed their advice.

The FCO/MOD/DFID paper advised:

“The ... incident ... highlights what was previously more opaque, that we face acute challenges in achieving our objectives in the south-east region. Stability in the south-east is being threatened by intense rivalry among political parties and their militias. Criminality, jockeying for patronage and leaders’ differing political visions are being exacerbated by tribalism and increasing religiosity.”

**406.** The paper concluded that “alternative options to our current policy are limited”:

**“Our only realistic option is to maintain our course and see the job through. But we need to make adjustments to our policy,** while sticking to our strategic approach of ensuring in due course successful transition of responsibility for rule of law in the south-east to the Iraqis.”

**407.** An immediate problem was the threat of reprisal attacks. DFID and FCO staff were “essentially locked down”.

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<sup>233</sup> Manuscript comment Quarrey to Sheinwald, 4 October 2005, on Letter Dinham to Sheinwald, 30 September 2005, ‘Iraq: Reconstruction Situation’.

<sup>234</sup> Manuscript comment Sheinwald to Quarrey, 6 October 2005, on Letter Dinham to Sheinwald, 30 September 2005, ‘Iraq: Reconstruction Situation’.

<sup>235</sup> Letter Hayes to Quarrey, 30 September 2005, ‘Iraq: Basra’ attaching Paper FCO/MOD/DFID, 30 September 2005, ‘South-East Iraq: Impact of Security Incident in Basra’.

**408.** The authors identified a number of “longer-term challenges” including:

- **“We may not be able to deliver, by next year, the minimum standards required in rule of law and governance.”** The UK should consider whether its aspiration to draw down troops by the middle of 2006 would be premature, and how its response to a more challenging security environment might deter organisations such as the UN and World Bank from establishing a presence in the South.
- **“We will need to allocate more resources, which might include military resources, to security.”**

**409.** Over the weekend of 1 and 2 October, Mr Blair considered separate pieces of advice from Sir Nigel Sheinwald and Mr Powell on the implications of the Red Team report, the FCO/MOD/DFID paper on the implications of the Jameat incident, and a 28 September JIC Assessment.<sup>236</sup>

**410.** Mr Blair set out his conclusions in a Note to No.10 staff on 2 October:

“I don’t think the Red Team report is advocating a different strategy; just a means of implementing the existing one ...

“The ‘ink spot’ strategy is right. It isn’t what we have done so far. What we’ve done is take a city, give it back to the Iraqis and hope. The ‘ink spot’ strategy is to take it and then only when the Iraqi civilian capability of governance is properly established with the necessary military back-up, do we withdraw.”<sup>237</sup>

**411.** Sir Nigel Sheinwald wrote to Mr Straw’s Principal Private Secretary on 4 October, in response to the 30 September FCO/MOD/DFID paper on the implications of the Jameat incident.<sup>238</sup> Copies of the letter were sent to Cabinet Office, MOD, DFID, FCO, Home Office and Treasury officials.

**412.** Sir Nigel wrote:

“The Prime Minister agrees that we do not need to change our overall strategy. He is convinced, however, that we need a major and sustained push over the next few months on the political and security lines of operation if we are to get what we need – the political process moving ahead on time and producing an effective and moderate Iraqi Government after the elections, with visible progress on the Iraqisation of security.”

<sup>236</sup> Minute Quarrey to Prime Minister, 30 September 2005, ‘Iraq Update’.

<sup>237</sup> Note Blair, 2 October 2005, [untitled].

<sup>238</sup> Letter Sheinwald to Hayes, 4 October 2005, ‘Iraq Strategy’.

**413.** Sir Nigel went on to set out in detail Mr Blair's views in relation to policy on the political process and security. The single paragraph on reconstruction read:

“It is unlikely that we will be able to enhance significantly the impact of reconstruction activities in the period before elections. But he [Mr Blair] would be grateful if Hilary Benn could work hard with the World Bank and UN in particular – their future engagement is critical. We also need a more effective link-up between DFID and the US agencies involved.”

**414.** Sir Nigel reported that Mr Blair planned to chair a meeting of DOP(I) every fortnight if possible. Sir Nigel would chair weekly meetings of senior officials. Mr Straw and Dr Reid were also to chair regular Ministerial meetings in their areas.

**415.** Mr Chakrabarti and Mr Dinham visited Iraq from 4 to 6 October to review DFID's programme and consider future plans in the light of the forthcoming Iraqi elections and UK military transition planning.<sup>239</sup>

**416.** Their report to Mr Benn, copies of which were sent to Sir Nigel Sheinwald, senior officials in the Cabinet Office, MOD, FCO and the Treasury, and UK military commanders and officials in Iraq, recommended that DFID should shift its focus from the South and infrastructure projects to building institutional capacity in Baghdad. That recommendation reflected “remarkable unanimity of advice from a range of interlocutors, including our political and military colleagues in both Baghdad and Basra” on where DFID's comparative advantage lay in a “uniquely difficult environment”.

**417.** Mr Chakrabarti and Mr Dinham reported that UN staff were back in Iraq and playing a key role in donor co-ordination. The EC was “visible, albeit with a small and focused presence”. A key gap remained the absence of a permanent World Bank or IMF representative.

**418.** The Iraqi Government remained unenthusiastic on the Najibiyah power plant project (for which DFID had hoped to secure US\$21m in funding from the World Bank Trust Fund); there was no value in pressing this further.

**419.** On funding, the US was now looking for other donors to “pick up the tab” for reconstruction; none had yet stepped forward:

“A[n] ... immediate worry for the first year of an incoming Government is the likelihood of a funding crisis as US money thins out and the multilaterals are not yet on stream.”

**420.** If DFID was to focus on building institutional capacity in Baghdad, it would need to consider whether its current model – using international consultants, with their attendant high security costs – remained “fit for purpose”. The Iraqi Government was

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<sup>239</sup> Minute Chakrabarti and Dinham to Secretary of State [DFID], 7 October 2005, ‘Iraq Visit, 4 – 6 October 2005’.

starting to turn down offers of assistance, primarily on cost grounds. Mr Chakrabarti and Mr Dinham reported that their initial feeling was that alternative models now needed to be explored, including:

- a greater use of consultants drawn from the Iraqi diaspora;
- the use of current or former senior UK civil servants on short visits; and
- deployment of additional DFID advisers to Baghdad and Basra.

**421.** Mr Chakrabarti and Mr Dinham concluded that DFID should produce a new Country Assistance Plan (CAP) for Iraq, setting out its intentions.

**422.** DFID told the Inquiry that it could not find any evidence of a response from Mr Benn or of any documents relating to a consequent discussion of aid modalities, and that work to produce a new CAP was not taken forward.<sup>240</sup>

**423.** On 10 October, the Joint Committee to Transfer Security Responsibility (JCTSR) produced its “Conditions for Provincial Transfer”, which set the framework for MNF-I to transfer security responsibility to an Iraqi civilian authority (see Section 9.4).<sup>241</sup>

The document set out a series of standards in four areas:

- the insurgency threat,
- ISF capability,
- governance capacity, and
- residual support from coalition forces.

**424.** General Mike Jackson, Chief of the General Staff, visited Iraq from 10 to 13 October.<sup>242</sup> His report to Gen Walker, copies of which were sent to senior military officers only, welcomed the US proposal to deploy PRTs as they would address the critical need to build the capacity of the Iraqi Government. The UK would be expected to share “the PRT burden” in the South.

**425.** Gen Jackson agreed with the Red Team’s argument that the insurgency would only be defeated by a co-ordinated effort across all lines of operation, but cautioned that the “ink spot” concept sounded similar to the “seven cities” and “Strategic Cities” initiatives which had floundered in 2004:

“I am increasingly hearing the same strategic principles (undoubtedly sound ones) being dressed up in different initiatives, but without ever being implemented effectively on the ground. I suspect there are several reasons for this: certainly a lack of resources for non-military LOO [lines of operation], but also, perhaps, entrusting responsibility for delivering these lines of operation to the wrong type of

<sup>240</sup> Email DFID [junior official] to Iraq Inquiry [junior official], 19 June 2013, ‘Iraq Inquiry New Queries’.

<sup>241</sup> International Mandate Republic of Iraq National Security Council, 10 October 2005, ‘Joint Committee to Transfer Security Responsibility’.

<sup>242</sup> Minute Jackson to CDS, 18 October 2005, ‘CGS Visit to Iraq: 10-13 October 05’.

people. There are many capable diplomats in both the UK and US Embassies, but are they the best people to deliver predominately ‘non-diplomatic’ objectives?”

**426.** The referendum on Iraq’s draft Constitution took place on 15 October.<sup>243</sup>

**427.** The day after the referendum, President Talabani issued a decree announcing that Parliamentary elections would take place on 15 December, in accordance with the TAL.<sup>244</sup>

**428.** Mr Patey reported by telegram on 18 October that the new US approach to reconstruction and building Iraqi Government capacity had two strands:

- capacity-development programmes in 10 national ministries; and
- 15 PRTs and one Regional Reconstruction Team (RRT), to cover the provinces under the Kurdish Regional Government.<sup>245</sup>

**429.** MND(SE) and DFID had fed in concerns over the introduction of PRTs, centred on the lack of consultation with the Iraqi Government, coalition members and the UN.

**430.** The first three PRTs would be established on 1 November. The US expected all the PRTs and the RRT to be established by March/April 2006.

**431.** Mr Patey advised that the US expected coalition partners to bear the running costs of PRTs in their areas. Those costs would be significant.

**432.** Dr Rice told the US Senate Foreign Relations Committee on 19 October that the US strategy to “assure victory” in Iraq, working with the Iraqi Government, was to “clear, hold, and build”.<sup>246</sup> She described the US strategy:

“With our Iraqi allies, we are working to:

- Clear the toughest places – no sanctuaries to the enemy – and disrupt foreign support for the insurgents.
- Hold and steadily enlarge the secure areas, integrating political and economic outreach with our military operations.
- Build truly national institutions working with more capable provincial and local authorities. Embodying a national compact – not tools of a particular sect or ethnic group – these Iraqi institutions must sustain security forces, bring rule of law, visibly deliver essential services, and offer the Iraqi people hope for a better economic future.”

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<sup>243</sup> eGram 15692/05 Baghdad to FCO London, 16 October 2005, ‘Iraq: Constitution: Referendum Day Passes Peacefully’.

<sup>244</sup> eGram 15761/05 Baghdad to FCO London, 17 October 2005, ‘Iraq: Elections’.

<sup>245</sup> eGram 15865/05 Baghdad to FCO London, 18 October 2005, ‘Iraq: Provincial Reconstruction Teams’.

<sup>246</sup> US Department of State Archive, 19 October 2005, *Iraq and US Policy: Secretary Condoleezza Rice, Opening Remarks Before the Senate Foreign Relations Committee, Washington, DC, October 19 2005*.



**433.** The strategy required deeper integration of civilian and military activities, including by restructuring part of the US Mission in Iraq as PRTs:

“These will be civil-military teams ... training police, setting up courts, and helping local governments with essential services like sewerage treatment or irrigation. The first of these PRTs will take the field next month.”

**434.** *Hard Lessons* described the difficulties the US experienced in establishing PRTs:

“Coaxing the Departments of State and Defense to set the terms of their first major operational collaboration in Iraq required a Herculean effort ... A patchwork quilt of memoranda of agreement, cables, and military orders – many of them at cross-purposes – evolved to codify policy for PRTs. More than a year elapsed before basic issues of budgets, the provision of security, and command and control relationships were resolved, delaying full deployment of the PRTs and limiting their early effectiveness in the field.”<sup>247</sup>

**435.** The 3 November meeting of DOP(I) considered an IPU discussion paper on how PRTs could be configured to “add value to current arrangements”.<sup>248</sup>

**436.** The IPU paper set out lessons from Afghanistan, and concluded that there was no “fixed template” for a PRT. PRTs were most effective when:

- they contained an appropriately resourced, integrated military and civilian team;
- they had the support of local authorities, a close working relationship with international organisations and NGOs, and sought to extend the reach of central authorities; and
- they operated in relatively benign security environments where they could seek to contain rather than confront conflict.

**437.** The IPU identified three major risks to the implementation of the US proposal:

- a lack of Iraqi “buy-in” at local and national level;
- a perception among “local Iraqis” that PRTs represented a failure to deliver a transfer of control to Iraqis; and
- a lack of resources. The success of the PRTs would be commensurate, to some degree, with the financial resources available to them. The US planned to fund the three pilot PRTs from within existing resources. The UK would need to consider whether further PRTs could be established on that basis: “In particular, we would need to ensure that PRTs did not divert ... effort from essential capacity-building efforts elsewhere. In MND(SE) existing military/

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<sup>247</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>248</sup> Paper IPU, October 2005, ‘Provincial Reconstruction Teams (PRTs) in Iraq: Discussion Paper’.

civilian teams ... could form the basis for the [PRT] teams, together with the DFID-funded single Public Administration Adviser per province.”

**438.** DFID briefing for Mr Benn for the DOP(I) meeting stated:

“We and MOD are both concerned about the risks of this approach. It is expensive, will divert funding from other priorities, and we do not believe it will make a dramatic difference in outcomes. It may slow military transition ... The agreed Whitehall approach is that we will be constructive; find out more and try and influence the US approach; and that we will repackage our effort in the South as a PRT but not do very much differently.”<sup>249</sup>

**439.** At DOP(I), Ministers commented that PRTs should be tailored to their environment, and that Iraqi ownership and the involvement of international donors were essential.<sup>250</sup>

**440.** The British Embassy Baghdad reported on 8 November that the US Embassy was happy to allow the UK time to develop its own ideas for PRTs in the South, and to be fully engaged in planning.<sup>251</sup> The strong preference of the US, however, was for individual PRTs to be established in each of the four southern provinces (in line with the US approach in the rest of Iraq). The Embassy had argued that the UK would need to take account of existing governance arrangements in the South, and the effect of PRTs on the transfer of security responsibility.

**441.** An MOD briefing for Gen Walker described that effect:

“The [US] proposal sees the establishment of a ... PRT in every Province for at least two years. This would almost certainly undermine MND(SE) transition plans, with a significant risk that UK forces would be fixed in Maysan and Muthanna into the medium term.”<sup>252</sup>

**442.** Dr Rice inaugurated the first PRT in Iraq on 11 November during a visit to Mosul.<sup>253</sup>

**443.** Dr Reid told the 15 November meeting of DOP(I) that the UK’s exit from Muthanna and Maysan had been delayed from February until May 2006, reflecting the UK’s commitment to the Japanese.<sup>254</sup> Dr Reid hoped it would be possible to complete the handover within this timescale in order to start reducing the UK’s troop commitment in Iraq during 2006.

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<sup>249</sup> Minute DFID [junior official] to Private Secretary [DFID], 1 November 2005, ‘Iraq: Oral Briefing in Preparation for DOP(I), 3 November’.

<sup>250</sup> Minutes, 3 November 2005, DOP(I) meeting.

<sup>251</sup> eGram 17627/05 Baghdad to FCO London, 8 November 2005, ‘Iraq: Provincial Reconstruction Teams (PRTs)’.

<sup>252</sup> Minute DCJO(Ops) to PSO/CDS, 14 November 2005, ‘Provincial Reconstruction Teams in MND(SE) – Implementation’.

<sup>253</sup> US Institute of Peace, 20 March 2013, *Provincial Reconstruction Teams in Iraq*.

<sup>254</sup> Minutes, 15 November 2005, DOP(I) meeting.

**444.** The British Embassy Baghdad provided further advice on US views on 22 November.<sup>255</sup> US Ambassador Dan Speckhard (Head of the IRMO) had told them that Ambassador Khalilzad had no intention of running Iraq, but would not allow the mission to fail because the Iraqi Government could not swiftly establish effective institutions at national or local level. The UK should see PRTs as providing a “one-off structural shot in the arm” to establish those institutions while international military forces remained to support civilian activities.

**445.** Ambassador Speckhard had said that the US remained content for the UK to offer a way forward in the South, but there were “clear red lines”:

- Civilian and military operations must be integrated.
- “[T]here must be a ‘genuine’ PRT in each province – satellite PRTs served by resources located in another Governorate would not be an adequate option for substantive not just political reasons.”
- PRTs must be a “new venture”, supported by additional resources. “Rebadging” existing efforts under a PRT banner would not be well received.

**446.** The Embassy commented that it should be possible to present a proposal for four PRTs transitioning to two as consistent with US objectives.

**447.** Following a visit to Iraq from 22 to 23 November, Gen Walker advised Dr Reid:

“The jury is out on the pilot PRTs – both amongst the military and the diplomats. Whatever the outcome, I recommend an early bid to run them in the four MND(SE) provinces to save us heartache later. If we don’t, they have the potential to fix us through force protection requirements at places and for periods not of our choosing.”<sup>256</sup>

**448.** The DOP(I) meeting on 1 December considered an IPU paper on how the UK should respond to the US proposal on PRTs.<sup>257</sup>

**449.** Mr Benn’s briefing for the meeting stated that, while the US wanted to see PRTs in all of Iraq’s Provinces, financial constraints made it unlikely it would be able to establish its own PRTs in the South.<sup>258</sup>

**450.** The IPU paper identified three options for the UK:

- Support four PRTs in the four southern provinces until 2008 (the US envisaged that PRTs would operate for two years with international staff, and then for a further two years with Iraqi staff only). That would “match” the US initiative, but

<sup>255</sup> eGram Baghdad to FCO London, 22 November 2005, ‘Iraq: Update PRTs’.

<sup>256</sup> Minute CDS to SofS [MOD], 25 November 2005, ‘CDS’s Visit to Iraq 22-23 Nov 05’.

<sup>257</sup> Minutes, 1 December 2005, DOP(I) meeting.

<sup>258</sup> Minute DFID [junior official] to Private Secretary [DFID], 29 November 2005, ‘Briefing for DOP(I), 1 December 2005 Meeting’ attaching Briefing DFID, 30 November 2005, ‘Flag B: Background Briefing’.

would mean extending the UK military presence in the South beyond current planned dates for transition (PRTs would require appropriate force protection and Quick Response Forces), and require significant additional resources for programmes and security.

- Establish one PRT in Basra to cover all of MND(SE). That would not affect UK plans for transition in the other three southern provinces. The US might want to establish its own PRTs in those provinces, increasing Iraqi resentment of the US presence and raising presentational difficulties in the UK if the US was seen to take over from the UK in the UK's area.
- Transition from "(mini) PRTs" in four provinces towards a single "super-PRT" in Basra. That would ensure coverage across MND(SE) but would not affect UK plans for transition.<sup>259</sup>

**451.** The IPU assessed that while none of the options was "satisfactory", the third option was best. It would permit continued governance and capacity-building work in all four provinces, would not affect UK military transition planning, and would minimise security risks to civilian staff.

**452.** The IPU recommended that DOP(I):

- Agree that the UK establish a PRT structure in southern Iraq, with Iraqi buy-in.
- Agree that the focus of the PRT should be on improving co-ordination and delivery of UK assistance, strengthening the links between the central authorities and Governorates, and improving the UK's "strategic oversight" of southern Iraq.
- Accept that while there were "presentational advantages" in establishing a PRT in MND(SE), improvements in the effectiveness of the UK's engagement would be "marginal".
- Note that while the PRT models might encourage other coalition partners to engage in reconstruction in the South (early indications were that Germany and Japan might supply experts or funding), multilateral donors were known to be sceptical about the PRT model and were unlikely to engage fully.
- Adapt the US PRT model to suit local circumstances in the four southern provinces:
  - In Basra, the current effort should be "re-organised along PRT lines", with the addition of a UK senior civil servant as its head. This regional "super-PRT" would comprise around 30 civilian staff, 21 military officers, and between 20 and 30 locally engaged staff.
  - In Dhi Qar, the current effort should also be "re-organised along PRT lines", possibly staffed and led by Italy until transition.
  - In Maysan and Muthanna, the current effort should continue "under a PRT banner" until UK military transition, at which time Iraqi teams could

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<sup>259</sup> Paper IPU, 28 November 2005, 'Iraq: Provincial Reconstruction Teams'.

be supported by surge capacity from Dhi Qar and Basra (and eventually just Basra).

**453.** The IPU described this as the “4-2-1” model, as four PRTs reduced to two (Basra and Dhi Qar) and then one (Basra) over time.

**454.** The IPU advised that the US would need to agree the UK model, which might require Ministerial-level discussions with US counterparts.

**455.** At the meeting, Mr Straw said that the IPU paper “proposed that we went along with the United States’ proposal but without disrupting our own plans for military transition”.<sup>260</sup> Dr Reid agreed that the UK response should be positive, but stressed the need to keep control of and tailor developing PRT plans in the provinces where the UK was directly involved.

**456.** DOP(I) agreed the paper.<sup>261</sup>

**457.** Officials revisited the decision to adopt a 4-2-1 model in January 2006.

**458.** Mr Straw wrote to Mr Benn at the end of November, reporting that the Deputy Governor of Basra and members of the Basra Provincial Council had pressed for more visible UK development projects, and had drawn attention to a number of DFID projects that had recently been closed.<sup>262</sup>

**459.** Mr Straw understood that those projects had been funded from the employment generation component of the southern Iraq Employment and Services Programme (SIESP), which DFID had closed down in August 2005. Mr Straw recognised the security constraints and the need to ensure funds were properly used, but asked that DFID officials look for some way to respond to the Councillors’ request for “highly visible, ‘flagship’ projects”.

**460.** Mr Benn replied on 9 December, highlighting the work DFID was doing in Basra and with the Provincial Council.<sup>263</sup> He did not offer new proposals and cautioned that DFID had to be “extremely careful” about publicising reconstruction projects, in case such publicity made workers and projects more attractive targets for insurgents.

**461.** The Iraqi elections took place on 15 December.<sup>264</sup> Mr Patey reported that the day had passed off peacefully with no major security events.

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<sup>260</sup> Minutes, 1 December 2005, DOP(I) meeting.

<sup>261</sup> Minutes, 1 December 2005, DOP(I) meeting.

<sup>262</sup> Letter Straw to Benn, 28 November 2005, ‘Basra Development Projects: My Meeting with Basra Provincial Council, 11 November’.

<sup>263</sup> Letter Benn to Straw, 9 December 2005, ‘Basra Development Projects: Your Meeting with Basra Provincial Council, 11 November’.

<sup>264</sup> eGram 20961/05 Baghdad to FCO London, 16 December 2005, ‘Iraq: Elections: Election Day’.

**462.** Papers for the final DOP(I) meeting of 2005, on 20 December, included a post-election work plan by the IPU, an update on progress with Iraqisation and a note on the handover of security responsibility.<sup>265</sup>

**463.** The IPU work plan described the UK's immediate objectives post election as:

- “• A short and well-managed interregnum between Transitional Government and the next Government, leading to;
- Rapid formation of a competent and representative Government, legitimate in the eyes of all Iraq's communities, followed by;
- A limited number of key decisions (which serve the Iraqi people and partnership between Iraq and the Coalition) taken quickly and visibly, in parallel with;
- Increasing Sunni Arab political participation and;
- Smooth progress in the South-East towards transition
- Visible international commitment, in context of 2006 partnership with Iraq.”<sup>266</sup>

**464.** The IPU hoped that it might be possible for an Iraqi government to be formed by the end of January, six weeks after the election.

**465.** Negotiations to form a new government continued into spring 2006. Section 9.4 describes UK efforts to encourage the formation of a broad and inclusive government of national unity.

**466.** One month after the DOP(I) decision to adopt a 4-2-1 model for PRTs in the South, the UK adopted a new model which focused on Basra and Dhi Qar only.

**467.** Air Chief Marshal Glenn Torpy, the Chief of Joint Operations, advised Lt Gen Fry on 21 December that the 4-2-1 model appeared to satisfy the US.<sup>267</sup> The UK now needed to press ahead quickly to keep the initiative. First indications were that neither the FCO nor DFID could find additional financial resources; the MOD would have to “bridge the gap”. Initial funding requirements might be “modest” and could be generated by making savings elsewhere in MND(SE). The MOD would also need to push the other departments to deploy the staff necessary to get the PRTs off the ground quickly.

**468.** The 29 December IPU update for DOP(I) members stated that, faced with logistical and financial difficulties, US enthusiasm for the PRT model was waning and their roll-out timetable was slipping.<sup>268</sup> US officials were “increasingly flexible” about UK plans for the PRT structure in the South and would “not look too closely at implementation (especially in Maysan and Muthanna)”. That provided the UK with an opportunity to establish the

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<sup>265</sup> Paper Cabinet Office, 19 December 2005, ‘DOP(I) Meeting: Agenda’.

<sup>266</sup> Paper IPU, 16 December 2005, ‘Iraq: Post-Election: UK Work Plan’.

<sup>267</sup> Minute CJO to DCDS(C), 21 December 2005, ‘Key Operational Issues for Early 2006’.

<sup>268</sup> Letter Siddiq to Quarrey, 29 December 2005, ‘Iraq: Update as at 29 December’ attaching Paper IPU, 29 December 2005, ‘Iraq: Update as at 29 December’.

PRT structure which best fitted the situation in the South and to ensure that the PRTs assisted rather than hindered “our main transition effort”.

**469.** The Cabinet Office chaired a video conference of officials in London, PJHQ, Basra and Baghdad on 5 January 2006 to discuss how to establish PRTs in the South.<sup>269</sup> The record of the meeting stated that:

“With the US in disarray over PRTs, and following further UK scoping work in theatre, a 4-2-1 approach to PRTs no longer appears to be either a necessary or best solution.”

**470.** There was a fundamental mismatch between:

- the timelines for UK military transition in Maysan and Muthanna (planned for May 2006, only five months away);
- the civilian and military resources available; and
- the time needed to recruit, train, deploy and get value from staff posted into a new PRT.

**471.** A focus on Basra and Dhi Qar was likely to be “sellable to the US”.

**472.** The meeting concluded that Ministers should be invited to agree a revised approach that focused on Basra and Dhi Qar.

**473.** Ministers approved the new approach, comprising a UK-led PRT in Basra and an Italian-led PRT in Dhi Qar, later that month.<sup>270</sup>

**474.** A DFID official briefed Mr Benn on 31 January that:

“We [DFID] are working to ensure that management mechanisms and funding remain shared responsibilities between the three departments [MOD, FCO and DFID]. We would welcome a discussion with you about our ideas on how to remain helpful and engaged, while avoiding being asked to lead on PRTs.”<sup>271</sup>

**475.** The UK-led PRT in Basra was established in May 2006.

**476.** In her evidence to the Inquiry, Ms Cameron, who had visited Iraq over Christmas 2005 to help develop the UK’s response to the US PRT proposal, suggested that the need to see off the “bad ideas” encapsulated in the proposal, and the need to develop a response which did not undermine the UK’s plans for transition in the South, had meant that the UK had not had the time to stand back and think through what it needed to deliver in Basra.<sup>272</sup> She concluded that the PRT model was an improvement on the

<sup>269</sup> Minute Cabinet Office [junior official] to Cabinet Office [junior official] 5 January 2006, ‘Iraq: PRTs’.

<sup>270</sup> Paper DFID, 10 January 2006, ‘Iraq Update’.

<sup>271</sup> Paper DFID, 10 January 2006, ‘Iraq Update’.

<sup>272</sup> Public hearing, 22 June 2010, pages 100-101.

previous, more fragmented, arrangement, but less of a “step-change” than it might have been.

**477.** Mr Tansley agreed with that assessment.<sup>273</sup>

## **Preparing for the transfer of security responsibility in Maysan and Muthanna**

**478.** Section 9.4 describes planning and preparations for the transfer of lead responsibility for security in Muthanna and Maysan to the Iraqi authorities (scheduled for May 2006).

**479.** Mr Patey issued his annual review of the state of Iraq on 10 January.<sup>274</sup> He characterised 2005 as a “year of democracy”, despite the persistent violence. The development of the Constitution and elections had diverted attention from establishing “effective governance”, and in a number of areas Iraq had regressed:

“The year ended with Baghdad on three hours of power a day and falls in oil exports. The Government did just enough (courtesy of a high degree of flexibility from the IMF and much help from us) to achieve an interim SBA [Stand-By Arrangement] that keeps the debt relief programme in track but there is not much else to report by way of achievements.”

**480.** Mr Straw visited Iraq on 6 and 7 January. His report to Mr Blair focused on progress in forming a new Iraqi Government but also highlighted the need to consider how to increase international engagement.<sup>275</sup>

**481.** The key would be to persuade the UN to play a more active role. The UK and US were working on the problem of providing the UN with air assets and security. The UK also needed to persuade the US “to take the UN more seriously into its confidence”: the US had been receptive at official level but the message needed to be reinforced at a political level.

**482.** In discussion with President Bush on 10 January, Mr Blair said that it would help to unlock outstanding aid pledges if the new Iraqi Government set out a “forward programme” covering security, coalition posture and reconstruction, which the UN and coalition could get behind.<sup>276</sup>

**483.** The 12 January meeting of DOP(I) discussed Mr Straw’s report.<sup>277</sup>

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<sup>273</sup> Public hearing, 22 June 2010, page 101.

<sup>274</sup> eGram 384/06 Patey to FCO London, 10 January 2006, ‘Iraq: Annual Review’.

<sup>275</sup> Letter Straw to Prime Minister, 11 January 2006, ‘Iraq: Post-Elections and Government Formation’.

<sup>276</sup> Letter Quarrey to Siddiq, 10 January 2006, ‘Prime Minister’s VTC with President Bush: Middle East Issues’.

<sup>277</sup> Minutes, 12 January 2006, DOP(I) meeting.



**484.** Mr Straw's briefing for the meeting stated that the obstacles to deeper UN engagement were "acute scepticism" within UN headquarters about Iraq and "justifiable" UN concern that it lacked the transport and security assets it needed to do a decent job.<sup>278</sup> On the latter point, only the US had sufficient resources to help. The UK was lobbying the US to engage with and support the UN, using the argument that an empowered UN leading international engagement in 2006 offered the US (and the UK) a way of gradually reducing their commitment.

**485.** At the DOP(I) meeting, Ministers commented that a "new effort" was needed to increase UN engagement in Iraq in 2006.<sup>279</sup>

**486.** Mr Blair's Private Secretary advised him on 17 January that the power situation in Baghdad was "dire", with only two hours of electricity a day.<sup>280</sup>

**487.** In discussion with President Bush on 17 January, Mr Blair suggested that there should be a big push on the UN.<sup>281</sup> The UN had to show leadership.

**488.** The Italian Government announced on 19 January that it hoped to withdraw Italian troops from Dhi Qar by the end of the year.<sup>282</sup>

**489.** The Cabinet agreed on 26 January to deploy UK troops to Helmand province, Afghanistan (see Section 9.4).

**490.** Mr Straw sent two IPU papers to Mr Blair on 7 February.<sup>283</sup> Copies of Mr Straw's letter and the IPU papers were sent to DOP(I) members and Sir Gus O'Donnell, the Cabinet Secretary.

**491.** The first paper considered how the UN should transform its role in Iraq.<sup>284</sup> The UK wanted the UN to:

- contribute to the new international partnership that the UK envisaged;
- act as an honest broker between Iraqi communities, before and after government formation;
- support provincial elections and the constitutional review;
- help reduce the risk of conflict in Kirkuk; and
- scale up their reconstruction and development presence.

<sup>278</sup> FCO [junior official] to Foreign Secretary, 10 January 2006, 'Iraq: DOP-I Meeting, 12 January'.

<sup>279</sup> Minutes, 12 January 2006, DOP(I) meeting.

<sup>280</sup> Minute Phillipson to Prime Minister, 17 January 2006, 'VTC with President Bush, 1220 17 January 2006'.

<sup>281</sup> Letter Quarrey to Siddiq, 17 January 2006, 'Prime Minister's VTC with President Bush: Middle East Issues'.

<sup>282</sup> *BBC News*, 19 January 2006, *Italy to pull out of Iraq in 2006*.

<sup>283</sup> Letter Straw to Prime Minister, 7 February 2006, 'Iraq: International Partnership and the UN's Role in 2006' attaching Paper IPU, 3 February 2006, 'Iraq: UN Role in 2006' and Paper IPU, 1 February 2006, 'Iraq: Implementing the Concept from Security Coalition to International Partnership'.

<sup>284</sup> Paper IPU, 3 February 2006, 'Iraq: UN Role in 2006'.

**492.** On reconstruction and development, the UN was now a “key player”. UN development agencies wanted to increase their presence in Iraq, but with a UN ceiling of 125 staff and priority consistently given to constitutional and political specialists, the UN could “at best” accommodate only three development or humanitarian specialists at any one time. The UK also wanted the UN to do more to help improve Iraqi observance of human rights; at present, the UN appeared reluctant to engage.

**493.** The UK would help secure increased UN engagement through Ministerial and official level lobbying of the UN (to encourage them to play a greater role), the US (to underline the value of the UN), and the EC, Japan and European countries (to get them to lobby the UN to play a greater role, and to fund it to do so).

**494.** In his letter to Mr Blair, Mr Straw described a transformed UN effort as “a catalyst to broader and deeper international engagement”.<sup>285</sup>

**495.** The second paper considered how the UK could support transition in Iraq from a “primarily security based coalition” to a broader international partnership.<sup>286</sup> The UK’s strategic objective would be to enable the Iraqi Government to assume more effective control over Iraqi territory and the security, political and economic agendas. The UK would seek to develop a broader international partnership, which would require improved security and an increased UN presence.

**496.** Mr Tansley reported from Basra on 20 January that the situation in Maysan and Muthanna was likely to allow a transfer of security responsibilities in May.<sup>287</sup> Muthanna was the poorest province in Iraq but essential services were “adequate” and “basic governance structures” were functioning. Maysan had a weak economy but enjoyed better essential services and more effective governance than Muthanna. Securing effective links with central Government would be critical for both provinces.

**497.** Mr Tansley commented on the decision not to establish PRTs in those provinces:

“The situation ... in Maysan and Al-Muthanna underlines why PRTs in those provinces are not required. Military transition will mean no international staff will be stationed in Maysan and Muthanna, and travel there by them is likely to be only possible with military escort (it would likely require a battle group). This will also affect our international partners including the UN ... and USAID ... (this will need to be factored into our discussions with the Americans on the 2-1 PRT formula).”

**498.** The DOP(I) meeting on 2 February discussed transfer of security responsibility for Maysan and Muthanna.<sup>288</sup>

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<sup>285</sup> Letter Straw to Prime Minister, 7 February 2006, ‘Iraq: International Partnership and the UN’s Role in 2006’.

<sup>286</sup> Paper IPU, 1 February 2006, ‘Iraq: Implementing the Concept from Security Coalition to International Partnership’.

<sup>287</sup> eGram 1266/06 Basra to FCO London, 20 January 2006, ‘Iraq: Military Transition in Maysan and Muthanna’.

<sup>288</sup> Minutes, 2 February 2006, DOP(I) meeting.

**499.** Ministers commented that the UK needed to consider transition in the wider context of the legacy that the UK would leave behind in those provinces.

**500.** Ministers also commented that it would not be possible to retain DFID international staff in Maysan and Muthanna after transition. In practice, their contribution was “useful but not vital” and infrastructure projects would continue. Civilian control of both provinces had been in the hands of the Iraqis since the dissolution of the Coalition Provisional Authority (CPA) and even without the transition, the intention was to focus the reconstruction effort in the South on Basra and Dhi Qar. The security challenges posed by the transition have a significant impact on other donors, including the UN.

**501.** DOP(I) commissioned the MOD to produce a paper on the transition reflecting cross-departmental concerns about the transition, “based on a robust assessment of the conditions in the two provinces”.

**502.** Dr Reid presented that paper to DOP(I) on 15 February (see Section 9.4).<sup>289</sup>

**503.** The MOD paper recommended that both provinces should transition as soon as possible, with the end of May as a target date.

**504.** The MOD stated that the withdrawal of coalition forces would reduce the amount of development assistance that could be provided to Muthanna and Maysan by the UK and other donors, and confirmed that DFID was “content with this, recognising that their existing support is useful, but not essential, to provincial stability”. The MOD continued:

“DFID will encourage other donors (e.g. the Japanese) to ensure that any unfinished ... projects are completed before closure of permanent bases or able to be completed by local staff and contractors in slower time, and that plans for operation and maintenance of completed projects have been made ... DFID will encourage donors with large numbers of local staff (USAID, the UN) to consider how best they could deploy these in Maysan and Muthanna to continue capacity building and governance support.”

**505.** Commanders in MND(SE) were confident that they could facilitate travel by FCO, DFID and international personnel into the provinces after transition.

**506.** The MOD assessed that the UK’s legacy would be “considerable”. ISF development was on track and would complete in October 2006. In addition:

“UK support has also helped Provincial Governments get on their feet. Working with ministries in Baghdad, Provincial Councils are able to take decisions, deliver services, manage budgets and work with donors at a basic level. They are functioning, but fragile. Increased capacity and recent reforms may not survive political rivalries and reduced levels of donor support. But in both Provinces we have

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<sup>289</sup> Paper Secretary of State [Defence], 14 February 2006, ‘Iraq: Handover of Security in Maysan and al Muthanna Provinces’.

reached a point where we will achieve diminishing returns if we stay much longer. The Iraqis are in a position to assume the mantle.”

**507.** At the meeting, Dr Reid said that the political and developmental issues associated with the transfer of security responsibility in Muthanna in May had been resolved.<sup>290</sup>

**508.** DOP(I) agreed the approach set out in the paper.

**509.** Also on 15 February, at the request of the ISOG, the JIC assessed Iraq’s expected development in 2006.<sup>291</sup> The JIC concluded that the new Iraqi Government would be judged largely by its ability to deliver security, fuel, electricity, jobs and a timeline for MNF withdrawal, but that there would be little progress on the first four issues over the next 12 months. The main obstacles to progress were:

“The security situation is the greatest immediate obstacle to economic recovery ...

“The new government will be no more competent or united than its predecessor, at least initially. The new Prime Minister ... will have to develop policy within a more complex political landscape ... The tendency of new Ministers to replace the top tier of officials with friends, family or tribal members will add to the difficulties.

“The Iraqi civil service lacks the ability to deliver at all levels ... Although there are talented individuals, institutional capacity was effectively destroyed under Saddam’s dictatorship and in the aftermath of his overthrow: de-Ba’athification, which removed many experienced bureaucrats, has been especially damaging ... Endemic corruption is a significant brake on economic development, pervading the highest levels of government, but also reaching into provincial and local levels.”

**510.** The JIC concluded that:

- The new government would come under international pressure to revitalise its oil sector and push ahead with economic reforms (including the reduction of domestic fuel and food subsidies), but would proceed cautiously given the potential for public discontent.
- The fragile state of Iraq’s energy infrastructure and continuing insurgent and criminal attacks would preclude any early progress on energy supplies. Electricity production currently met only about 45 percent of demand.
- There could be no “international solution” to improving essential services in Iraq. The Iraqi government needed to adopt a strategy to increase growth and invest in services and infrastructure. Bilateral and multilateral donors could play a supporting role, for example by strengthening the budget process and providing technical advice.

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<sup>290</sup> Minutes, 15 February 2006, DOP(I) meeting.

<sup>291</sup> JIC Assessment, 15 February 2006, ‘Iraq’s Development: Expectations and Delivery in 2006’.

**511.** On 22 February, the al-Askari mosque in Samarra, the fourth most revered shrine in Shia Islam and the only major Shia shrine under sole Sunni protection, was bombed.<sup>292</sup>

**512.** Section 9.4 describes increasing concerns within the UK Government on the level of sectarian violence in Iraq and the possibility of civil war.

**513.** On 15 March, at the request of the FCO and MOD, the JIC assessed the security situation in southern Iraq.<sup>293</sup>

**514.** Key Judgements included:

“I. Levels of violence in southern Iraq are much lower than in Baghdad and Sunni areas in the centre and north ...

...

“III. Across the South, there is no strong administrative machinery to promote security and stability. Government structures and capacity are fragile. The lack of central authority has encouraged protracted, and occasionally violent, local squabbles over power. Multiple sources of authority persist and carry equal weight ...”

### DFID's Portfolio Quality Review, March 2006

DFID undertook an internal review of the performance and “value-for-money” of its projects in Iraq in March 2006.<sup>294</sup>

The review's main conclusions were:

- 71 percent of current, large (over £4m) projects in Iraq were “high risk”, compared with just over 10 percent of DFID projects globally. Most projects were subject to the same (political and security) risks, so scope to balance risk was limited.<sup>295</sup>
- Of the 14 current, large projects, nine were likely to completely or largely achieve their objectives and five were likely to partly achieve their objectives or to achieve their objectives only to a very limited extent.
- 44 percent of all DFID projects in Iraq had achieved or were likely to completely or largely achieve their objectives, compared with 68 percent of DFID projects globally.
- Many projects had benefits beyond their stated objectives, for example in terms of setting policy agendas, leveraging in other donors' resources, and “giving DFID credibility to influence Whitehall”.

<sup>292</sup> Minute Banner to Prime Minister, 23 February 2006, ‘Samarra Shrine Bombing – Background and Update’.

<sup>293</sup> JIC Assessment, 15 March 2006, ‘Iraq: the Security Situation in the South’.

<sup>294</sup> Minute Hendrie to PS/Secretary of State [DFID], 27 March 2006, ‘Iraq: Portfolio Quality Review’.

<sup>295</sup> Not all the figures used in the text of the Portfolio Quality Review are consistent with the information presented in the supporting graphs and table. Where there is inconsistency, the Inquiry has drawn information directly from the supporting graphs and table.

The review identified the strategies that DFID had pursued to improve project performance:

- constant monitoring and management (though that was hampered by insecurity);
- using innovative techniques to deliver projects, such as working through local Iraqi engineers and helping the Ministry of Finance to set up an office inside the International Zone (within which international consultants could work);
- using the fragile states analysis to focus on a few immediate priorities. In Iraq, DFID had focused on strengthening central Government and getting economic reform on track;
- systematically tracking poor performance;
- adapting delivery methods to inside fiduciary risk;
- building clear exit strategies into projects, including dedicating significant effort to leveraging in other donors; and
- working closely with Whitehall.

**515.** Mr Asquith advised the 7 April meeting of the ISG that following rocket attacks on Basra Palace on 4 April, and given the continuing non-co-operation by the local authorities in Basra with UK officials following the Jameat incident, some UK civilian staff were unable to operate.<sup>296</sup> The FCO and DFID planned to recommend to their Ministers a drawdown of civilian staff from Basra Palace until conditions on the ground had improved.

**516.** Mr Benn was briefed on 19 April that significant numbers of Shia were moving south and Sunnis moving north.<sup>297</sup> MND(SE) was providing some (unspecified) short-term support to Internally Displaced People (IDPs).

**517.** Mr Benn was also briefed that running costs for the Basra PRT continued to be a “major sticking point”. No government department (or other country) had a budget for this. The Post-Conflict Reconstruction Unit (PCRU) was “holding the fort”, and departments were exploring whether they might be able to continue leading in the longer term.

**518.** Late on 21 April, four months after the December 2005 elections, the United Iraqi Alliance announced the selection of Mr Nuri al-Maliki as its candidate for Prime Minister (see Section 9.4).<sup>298</sup>

**519.** The British Embassy Baghdad reported on 22 April that the new Government had produced a “100-day plan”, focusing on urgent measures to improve security, oil, electricity, employment, agriculture and housing.<sup>299</sup>

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<sup>296</sup> Letter Cabinet Office [junior official] to Sheinwald, 10 April 2006, ‘Iraq Strategy Group: 7 April 2006’.

<sup>297</sup> Minute DFID [junior official] to PS [DFID], 19 April 2006, ‘DOP(I) Briefing 19 April 2006’.

<sup>298</sup> eGram 13011/06 Baghdad to FCO London, 24 April 2006, ‘Iraq: Formation of the New Government: Al-Maliki Nominated by UIA as Prime Minister’.

<sup>299</sup> eGram 13036/06 Baghdad to FCO London, 22 April 2006, ‘Iraq: Preparations for Government’.

**520.** The Embassy commented that on both security and electricity, the plan adopted a “Baghdad-first” approach (Baghdad had a third of the country’s population and was suffering more than other areas).

**521.** The Embassy reported that the Iraqi Government had discussed the 100-day plan with the British and US Embassies. As a result of those discussions, the Minister of Planning had agreed:

- a UK recommendation to include Iraqi signature to the Extractive Industries Transparency Initiative (EITI) in the plan; and
- to “play up” the monetarisation of the food subsidy, bank restructuring and civil service reform as priorities for the new Government.

**522.** Sir Nigel Sheinwald met Mr Maliki in Baghdad on 24 April.<sup>300</sup> Mr Maliki said that his priorities were security, the economy and services. There would have to be the toughest possible penalties for corruption.

**523.** Sir Nigel said that the UK’s ability to help with reconstruction in Basra was hampered by the security situation. Mr Maliki said that he knew little of the detail of the situation in Basra, but had heard that the population felt the UK had achieved very little for them, even before security deteriorated. He advocated patience, waiting for local elections that might bring change, and doing what the UK could to improve the economy. Employment would reduce the security threat.

**524.** Sir Nigel’s report of his visit to Mr Blair focused on government formation (see Section 9.4).<sup>301</sup> Sir Nigel confirmed that, as Mr Blair had suggested, the UK and US had offered to help Mr Maliki establish his Government. The UK’s main contributions would be:

- two officials (one FCO, one DFID) in the British Embassy working on the substance of the Iraqi Government’s programme;
- one official to advise the British Ambassador and the Iraqi Government on media and political strategy;
- No.10, FCO and MOD press officers to help with communications in key ministries;
- three Adam Smith Institute Ltd consultants to advise on the structure and operation of the Prime Minister’s Office and other key institutions; and
- a substantial MOD advisory team for the new Defence Minister.

**525.** Mr Blair commented: “[W]e must make sure this team is strong enough.”<sup>302</sup>

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<sup>300</sup> Telegram 13126/06 Baghdad to FCO London, 24 April 2006, ‘Iraq: Government Formation: Maliki’s Views’.

<sup>301</sup> Minute Sheinwald to Prime Minister, 27 April 2006, ‘Visit to Iraq’.

<sup>302</sup> Manuscript comment Blair to Sheinwald on Minute Sheinwald to Prime Minister, 27 April 2006, ‘Visit to Iraq’.

**526.** Mr Blair spoke to Mr Maliki on 28 April, to congratulate him and assure him of the UK's support.<sup>303</sup> Mr Blair said that it was important that Mr Maliki had good, capable people around him, and that the UK stood ready to offer advice and assistance, on both policy and communications.

**527.** The Cabinet Office circulated a draft FCO paper on Basra, which had been produced for DOP(I), to members of the ISOG on 28 April.<sup>304</sup> The draft FCO paper stated that:

“Security and governance in Basra are bad and worsening. Attacks on us, and both criminal and sectarian violence, are rising. Basic services are not being delivered. Basra is one of the four provinces in Iraq judged by MNF(I) to be furthest away from transition to full Iraqi control.

“The UK civilian effort in Basra is increasingly hunkered down. We face a lack of co-operation from the local authorities and severe restrictions on our movement. Our local staff ... suffer growing intimidation. Against this background, much of our effort – notably the Provincial Reconstruction Team we are standing up in May – can make little headway.”

**528.** The FCO paper was not submitted to DOP(I), but did inform discussions on 22 May between senior officials on how to achieve UK objectives in Basra.

**529.** Mr Blair held a Cabinet reshuffle in early May 2006. Mr Benn remained Development Secretary; Mr Des Browne replaced Dr Reid as Defence Secretary; and Mrs Margaret Beckett replaced Mr Straw as Foreign Secretary.

**530.** Mr Mark Lowcock, DFID Director General Policy and Programmes, and Mr Anderson visited Baghdad from 2 to 5 May.<sup>305</sup> They reported to Mr Chakrabarti that the new Iraqi Government faced a daunting economic reform agenda. The 100-day plan contained some of the necessary reforms, but it seemed unlikely that it would garner wider political support given the fragile political deals underpinning the new Government.

**531.** Iraq had enjoyed a “massive windfall” from the rising oil price, possibly an additional US\$20bn a year. That dwarfed the amount of aid provided to Iraq. While some of that windfall had been used to increase the budget:

“... billions – some people say tens of billions – has been lost through large-scale corruption and other leakage. Who has got the money and what do they plan to do with it? And how is the Government going to regain control?”

**532.** Mr Lowcock and Mr Anderson confirmed that DFID should “continue to move towards more capacity building and ... internationalising the effort in Iraq”.

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<sup>303</sup> Letter Banner to Siddiq, 28 April 2006, ‘Nouri al-Maliki’.

<sup>304</sup> Paper FCO [draft], 27 April 2006, ‘DOP(I): Basra’.

<sup>305</sup> Minute Lowcock and Anderson to Chakrabarti, 5 May 2006, ‘Visit to Baghdad 2-5 May’.



**533.** They also stated that the “refocusing” of the US effort from infrastructure to capacity-building might have (unspecified) implications for DFID.

**534.** The British Embassy Baghdad reported the following week that, according to a report issued by the Iraqi Oil Inspector General, some US\$4.2bn worth of oil products had been smuggled out of Iraq in the previous year.<sup>306</sup>

### Turning Basra around

**535.** The Basra PRT was established on 14 May 2006, and was expected to be fully operational within three weeks.<sup>307</sup> Its first Head was Mr Mark Etherington (a consultant contracted by PCRU).

**536.** PCRU funded three new posts in the Basra PRT (its Head, a Communications Manager and an Office Manager).<sup>308</sup> It was otherwise staffed by bringing together the existing US, UK and Danish teams.<sup>309</sup>

**537.** Mr Etherington wrote to a Cabinet Office official on 17 May outlining the challenges facing the Basra PRT, the most significant of which was a lack of “operational coherence”:

“Military and civilian lines of activity are not integrated, and the separation between military headquarters ... and the Consulate in Basra Palace [the British Embassy Office Basra] has made the formulation and execution of sophisticated unitary approaches ... very difficult. Our outputs are hence fragmentary, prone to duplication and intrinsically wasteful of resources; and neither are they subsumed to an over-arching strategy.

“This is because no over-arching, integrated strategy has yet been articulated, although the need for one has been identified ... UK ‘policy’ in S[outhern] Iraq is hence little more than an aggregation of departmental approaches ...”<sup>310</sup>

**538.** While the PRT’s work “must focus overwhelmingly upon Basra”, it should have a “low-key southern Iraq co-ordination role”.

**539.** Mr Etherington advised that “reporting was fragmented and lines of authority divided”. He therefore intended to establish a “Basra Steering Group”, bringing together MND(SE), the British Embassy Office Basra and the PRT. Its aim would be to “create a

<sup>306</sup> eGram Baghdad to FCO London, 9 May 2006, ‘Iraq: Corruption – Inspector General’s Report’.

<sup>307</sup> Minute Etherington to Cabinet Office [junior official], 17 May 2006, ‘Basra PRT: Challenges and Opportunities’.

<sup>308</sup> Minute Teuten to PCRU [junior official], 31 July 2006, ‘Visit to Baghdad and Basra, 19 – 25 July’; Minute Etherington to Cabinet Office [junior official], 17 May 2006, ‘Basra PRT: Challenges and Opportunities’.

<sup>309</sup> Minute DFID [junior officials] to Mr Anderson, 31 July 2006, ‘Iraq: Allocation of Governance Resources to PRT in southern Iraq’.

<sup>310</sup> Minute Etherington to Cabinet Office [junior official], 17 May 2006, ‘Basra PRT: Challenges and Opportunities’.

comprehensive strategy across all lines of activity, to prosecute it in detail and to review it monthly”.

**540.** Mr Etherington highlighted the need adequately to fund PRT running and programme costs. The PRT had been allocated £350,000 for “start-up” costs; a request for additional funding had been sent to PCRU. Mr Etherington estimated that the cost of running the PRT (including the cost of the three consultants provided by PCRU) would be US\$1.74m per year. The US had allocated US\$15m to each PRT for programme costs but those funds were unlikely to appear before the summer and would in any case be insufficient for a province of Basra’s size and challenges. In the meantime, the PRT might be able to access US CERPs funding and some £190,000 from DFID’s Governorate Capacity Building Project.

**541.** Gen Jackson visited Iraq from 15 to 18 May.<sup>311</sup> He reported to Air Chief Marshal Sir Jock Stirrup, Chief of the Defence Staff, that there appeared to be some confusion about the role of the Basra PRT. Mr Etherington believed that its role was to deliver the “coherent UK cross-government approach” in the South that was currently lacking. Others believed that the PRT should limit itself to reconstruction. Gen Jackson commented:

“I sense that we, the UK, have not really thought what we want our PRT to achieve. If we have, it is not clear in theatre.”

**542.** Gen Jackson reported that his meetings in Basra had caused him to “reflect once again on the extent to which our military progress in Iraq is mortgaged against the economic and political LOO [line of operation]”. The constraints imposed on the economic line of operation by the UK’s International Development Act were an “enduring concern”:

“To be involved in two campaigns simultaneously [Iraq and Afghanistan] where one of our three levers of national power is not sufficiently agile or flexible to deliver immediate campaign effort seems absurd.”

**543.** Prime Minister Maliki appointed his Cabinet (minus the Ministers for Interior, Security and Defence) on 20 May. The remaining Ministers were appointed on 8 June. Sections 9.4 and 9.5 describe the formation of Prime Minister Maliki’s Government.

**544.** The 22 May meeting of the ISOG discussed how to draw together a strategic plan to deliver the UK’s objectives in Basra, in the light of the “serious problems” that the UK faced.<sup>312</sup>

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<sup>311</sup> Minute Jackson to CDS, 22 May 2006, ‘CGS Visit to Iraq: 15-18 May 06’.

<sup>312</sup> Letter Aldred to Lamb, Cooper & Kavanaugh, 23 May 2006, ‘Basra: The Way Forward’ attaching Paper, [undated], ‘Getting Basra Better: A Strategic Agenda for Action’.

**545.** Ms Aldred sent a “strategic agenda for action” to UK military officers and officials working in Basra the following day, seeking advice which:

- “• ... looks innovatively and ambitiously at options to deliver our strategic objectives, including potential resources implications; and
- clearly indicates ... a critical path to success”.

**546.** Mr Blair met President Talabani and, separately, Prime Minister Maliki in Iraq on 22 May.<sup>313</sup> Both men asked Mr Blair whether media reports that the UK was looking to withdraw from Iraq were accurate.

**547.** Mr Blair’s Private Secretary recorded that Prime Minister Maliki had highlighted the contribution that “economic reform and prosperity” could make to tackling terrorism and insecurity.<sup>314</sup> Terrorists were exploiting the lack of basic services to create dissatisfaction. Prime Minister Maliki hoped the international community, including Iraq’s neighbours, would help achieve rapid progress in this area and asked for Mr Blair’s help to mobilise international support. Mr Blair said that he would be happy to do this.

**548.** Mr Blair proposed, and Prime Minister Maliki agreed, that one element to mobilising international support would be to show results in one or two key areas, such as security and electricity supplies in Baghdad. Prime Minister Maliki said that he was working with MNF-I and ISF to develop a Baghdad security plan, which would allow an increase in electricity supply.

**549.** A joint statement issued by the two Prime Ministers at a press conference after their meeting stated that they had “discussed the situation in Basra and agreed to work closely on ensuring greater security and stability there”. A high level Iraqi delegation would visit Basra soon.

**550.** The day after Mr Blair left Iraq, Sir Nigel Sheinwald wrote to Mr Straw’s Principal Private Secretary to set out Mr Blair’s view of priorities for Iraq.<sup>315</sup> The key elements were:

- “• Drawing up a **timetable with conditions** setting out the potential path to MNF withdrawal ...
- To ensure improved **ISF build-up ...**
- Backing the **Baghdad security and electricity** plans. As the PM [Mr Blair] set out to Maliki, the new Iraqi Government will need to show early progress on these priority issues ...

<sup>313</sup> Letter Banner to Siddiq, 22 May 2006, ‘Iraq: Prime Minister’s Meeting with Talabani’; Letter Banner to Siddiq, 22 May 2006, ‘Iraq: Prime Minister’s Meeting with Nouri al-Maliki’.

<sup>314</sup> Letter Banner to Siddiq, 22 May 2006, ‘Iraq: Prime Minister’s Meeting with Nouri al-Maliki’ attaching Paper, [undated], ‘Joint Statement about the Visit of the UK Prime Minister’.

<sup>315</sup> Letter Sheinwald to Hayes, 23 May 2006, ‘Iraq’.

- Turning around the situation in **Basra**, following the Prime Minister's private conversation with Maliki. This will require
  - a political understanding with parties representing the spectrum of political opinion there;
  - a package of UK and international reconstruction assistance;
  - a larger role and presence for the Iraqi forces, working alongside UK forces ...
- Promoting **international support** for the new Government ...
- Ensuring that **Arab countries** respond positively to requests for assistance from the new Iraqi Government ...
- Stepping up our **outreach** activities to both Sunni and Shia militants ... to ensure that they are given opportunity and incentives to participate in the political process ...
- **Capacity building** for Iraqi ministries. We need a paper setting out our and the US's current assistance ... and a plan for addressing the gaps."

**551.** Sir Nigel's letter alerted members of DOP(I) that Mr Blair was likely to want to discuss these issues the next time they met.

**552.** Mr Dinham told the Inquiry that Mr Blair's visit took place at a point when security was deteriorating and "there wasn't an awful lot that was strongly visible" on reconstruction.<sup>316</sup> Work to build the capacity of the Iraqi Government was progressing but was "below the radar" and DFID's infrastructure and essential services projects had taken some time to "get off the ground":

"So I think what he [Mr Blair] wanted was – I think what we all wanted – was to have some visible effect."

**553.** DOP(I) met on 25 May.<sup>317</sup> Mr Blair told the meeting that the UK should focus on:

- the development of the ISF;
- seeing progress in Basra; and
- supporting the Iraqi Government's efforts to restore security and electricity provision in Baghdad.

**554.** Ministers commented that:

- DFID was seconding two officials to Deputy Prime Minister Salih's office, to help with planning and preparation for a donor conference in September.
- The key to further progress on electricity production lay in co-operation between Iraqi ministries and the development of realistic plans, rather than donor funding.

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<sup>316</sup> Public hearing, 17 December 2010, pages 65-66.

<sup>317</sup> Minutes, 25 May 2006, DOP(I) meeting.

- Mr Benn had spoken to Mr Paul Wolfowitz, the President of the World Bank, the previous day and there was now agreement that the World Bank would open a permanent office in Baghdad. Mr Benn had pressed Mr Wolfowitz to provide assistance to the energy sector.

**555.** DOP(I) agreed that the action points set out in Sir Nigel Sheinwald's letter of 23 May should be pursued.

**556.** A Cabinet Office official chaired a meeting to discuss Mr Etherington's letter of 17 May on 25 May.<sup>318</sup> The meeting:

- agreed the "**light-touch regional role for the PRT**" proposed by Mr Etherington;
- endorsed the proposal to create a Steering Group "to discuss strategic issues". The scope of the Steering Group would be informed by "wider work under way on Basra";
- on running costs, agreed that "in principle, [the] FCO could look to fund security and life support costs ... and that PCRU could fund staff costs";
- on programme funding, asked departments to provide details of their current and proposed programmes to the PRT; and
- discussed but did not reach a conclusion on to whom the PRT should report in Iraq and in London.

**557.** Prime Minister Maliki and Vice President Tariq Hashemi visited Basra on 31 May.<sup>319</sup> During his visit, Prime Minister Maliki declared a state of emergency in Basra, lasting one month.<sup>320</sup>

**558.** Mr Patey reported on 2 June that the new Iraqi Minister of Electricity, Dr Karim Wahid, had asked for UK assistance in funding two power projects in the South, at a combined cost of US\$60m.<sup>321</sup>

**559.** Mr Blair held a private meeting with Mr Browne on 6 June.<sup>322</sup> He asked Mr Browne to focus on the situation in Basra, and to:

"... make sure that the political and military strategies were aligned and proceeding together. This required micro-management. We had been slow to grip the situation there ..."

**560.** In mid-June, Prime Minister Maliki formally launched the Baghdad Security Plan (see Section 9.5).

<sup>318</sup> Minute Cabinet Office [junior official] to Aldred, 25 May 2006, 'Ad Hoc Discussion on PRTs'.

<sup>319</sup> Minute Cooper, 1 June 2006, 'MND(SE) – southern Iraq Update – 1 June 2006'.

<sup>320</sup> *The Guardian*, 31 May 2006, *State of emergency for Basra*.

<sup>321</sup> eGram 21675/06 Baghdad to FCO London, 2 June 2006, 'Iraq: Meeting with Minister of Electricity'.

<sup>322</sup> Minute Sheinwald to Banner, 8 June 2006, 'Iraq and Afghanistan'.

**561.** The Cabinet Office produced an update on work on the “review of policy” requested by Mr Blair following his 22 May visit, “including in response to serious concerns over the situation in Basra”, for the 15 June meeting of DOP(I).<sup>323</sup>

**562.** On electricity, the Cabinet Office paper stated that following positive early meetings with the new Electricity Minister, DFID was focusing on “demand issues and planning” by:

- getting the World Bank and other donors including the EU and Japan engaged. DFID was funding a World Bank adviser on energy sector management, and part-funding the new World Bank Country Office;
- leveraging World Bank loans for power projects in response to specific requests from the Electricity Minister; and
- offering a consultant to the Ministry of Electricity to advise on an electricity plan.

**563.** On international support, US and UK officials were discussing options for a compact between Iraq and the international community.

**564.** The UK’s role in the development of the International Compact is described later in this Section.

**565.** On capacity building, the UK was supporting a number of key Iraqi institutions but that effort was “**dwarfed by a very large ... often overambitious US programme**”. The US had offered to share work it was undertaking to map and improve its capacity-building effort. That would provide a basis for discussions on a complementary approach.

**566.** On Basra, officials had been undertaking a “major review of policy” in MND(SE), in response to concerns (shared by the US) that Basra was not on track to meet the proposed transition timelines. The “work plan for Basra” had been organised around four strands: political framework; security; Rule of Law and governance; and economic development and reconstruction.

**567.** On the economic development and reconstruction strand, departments had been reviewing their programmes to ensure that:

- key short-term requirements were met;
- plans were in place for the Iraqi Government and the wider donor community to tackle Basra’s medium- and long-term requirements; and
- all projects were delivering a visible dividend to Baswaris.

**568.** Funding had been found from existing resources for a number of new initiatives, but departments were still scoping the cost of further short-term measures. An initial estimate was that an additional £85m might be required.

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<sup>323</sup> Paper Cabinet Office, 13 June 2006, ‘Follow-up to the Prime Minister’s Visit, Including Delivering a Step-Change in Basra’.

**569.** DOP(I) agreed that Mr Browne should take the lead in pulling together a strategy for Basra, with the support of the Cabinet Office and assistance from other departments.<sup>324</sup> Mr Benn would monitor developments on electricity and power supply.

**570.** Prime Minister Maliki announced on 18 June that Muthanna would transfer to Provincial Iraqi Control (PIC) on 13 July.<sup>325</sup>

**571.** Mr Browne visited Iraq from 18 to 22 June.<sup>326</sup> He wrote to Mr Blair while in transit between Baghdad and Basra:

“There is a tension between, on the one hand, our growing conviction that reconstruction and better governance must be delivered alongside improved security, rather than coming a few months down the track, and on the other, the difficulties our FCO and DFID representatives face in getting out on to the ground to do this.”

**572.** The British Embassy Washington reported on 30 June that senior US officials had confirmed that in response to UK lobbying, the Basra PRT was likely to receive more than the US\$15m allocated to other PRTs.<sup>327</sup> The US Embassy Baghdad was considering the exact amount.

**573.** The US provided US\$30m for the Basra PRT in 2007.<sup>328</sup> The amounts allocated to other PRTs for that period varied from US\$80m (for Baghdad) to US\$18m.

**574.** Mr Browne sent Mr Blair an update on Basra on 4 July.<sup>329</sup> Mr Browne advised that he would be asking DOP(I) to agree a number of new projects which would be required to support the “Better Basra Action Plan”, at a total cost of £30.7m for the remainder of the financial year. That was “a relatively small sum given the strategic importance of Basra”. The total comprised:

- £14.3m for additional UK support for the police (see Section 12.1);
- £11.4m for additional UK support for the judiciary, prisons and witness protection (see Section 12.1); and
- £5m for a Rapid Response Fund for the southern Iraq Steering Group, to support good governance and other priority areas.

<sup>324</sup> Minutes, 15 June 2006, DOP(I) meeting.

<sup>325</sup> Minutes, 6 July 2006, DOP(I) meeting.

<sup>326</sup> Letter Browne to Blair, 22 June 2006, ‘Update on Visit to Iraq’.

<sup>327</sup> eGram 28036/06 Baghdad to FCO London, 30 June 2006, ‘US-Iraq: Basra’.

<sup>328</sup> Email Cabinet Office [junior official] to Hendrie, 18 February 2008, ‘US Economic Surge Information’ attaching Paper, [undated], ‘Snapshot of PRT Engagement in Iraq’.

<sup>329</sup> Letter Browne to Blair, 4 July 2006, [untitled], attaching Paper, [undated], ‘Background on Additional Basra Work’.

**575.** Mr Browne also advised that in response to Mr Blair's visit to Iraq in late May:

“... the southern Iraq Steering Group has been set up, chaired by [the] Consul General with participation from across departments and agencies to co-ordinate delivery of a coherent strategy for southern Iraq, focused on Basra. Much of the work on governance, rule of law and infrastructure will now be delivered in a coherent fashion through the new UK-led Provincial Reconstruction Team in Basra, drawing together inputs from the US, Danes and other international partners.”

**576.** The Basra PRT was now fully staffed, but lacked funding for project work and would need funding for running costs from December 2006. US funds had not yet arrived.

**577.** The 6 July meeting of DOP(I) discussed Mr Browne's letter to Mr Blair and agreed his proposals in principle.<sup>330</sup>

**578.** Mrs Beckett and Mr Benn said that their budgets for Iraq were fully committed, but were asked to look again at reprioritising their spending to fund the Better Basra projects.

**579.** Ministers agreed that there was a need for a comprehensive communications plan to highlight UK activity on reconstruction to politicians in Baghdad and Basra. The plan should include other donors' activity, to give a clear picture of the totality of development assistance that the UK presence was bringing to southern Iraq.

**580.** Ministers also recognised the risk to locally engaged staff, who were being targeted. At least three locally engaged members of staff working for the Coalition had been killed. FCO and DFID locally engaged staff were being offered the chance to resign, work at home, or work at a different location.

**581.** Discussions on funding the Better Basra Action Plan continued into August.

**582.** A Treasury official advised Mr Stephen Timms, Chief Secretary to the Treasury, on 15 August that departments had agreed to provide a total of £20.4m from existing resources to fund the Better Basra Action Plan, now costed at £26.5m (due to the later start for some of the work).<sup>331</sup> The FCO had contributed £12.4m (of which £7m was from the GCPP Reserve), the MOD £4m and DFID £4m. Negotiations had been difficult, with the MOD offering “considerable resistance” to the need to find its contribution from the core defence budget.

**583.** Mr Timms wrote to Mr Browne the same day, welcoming the successful conclusion of negotiations and agreeing to provide an additional £4m for the Plan from the central Reserve.<sup>332</sup>

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<sup>330</sup> Minutes, 6 July 2006, DOP(I) meeting.

<sup>331</sup> Minute Treasury [junior official] to Chief Secretary, 15 August 2006, 'Better Basra Plan'.

<sup>332</sup> Letter Timms to Browne, 15 August 2006, 'Better Basra'.



**584.** Mr Dinham told the Inquiry that the Better Basra Action Plan was a “proper, agreed, bought-into, cross-Whitehall plan”, which had led to greater unity of purpose across the UK effort.<sup>333</sup> He added that the Plan did not seek to reflect the totality of the UK effort; for example, major DFID projects to increase power supply were starting to come on stream and contributed to achieving the UK’s objectives.

**585.** Mr Etherington told the Inquiry that the Better Basra Action Plan was “a set of aspirations” rather than a plan.<sup>334</sup>

**586.** Mrs Beckett told Cabinet on 13 July that responsibility for security in Muthanna had been handed from British to Iraqi forces earlier that day.<sup>335</sup>

**587.** On 19 July, the JIC judged that violence was at the highest sustained level since April 2003, outpacing the Iraqi Government’s ability to respond.<sup>336</sup> “Spiralling sectarian violence” was the most immediate threat to Iraq’s progress.

**588.** Mr Patey’s valedictory report from Baghdad on 20 July opened with the warning: “Strategic failure in Iraq a distinct possibility but not inevitable.”<sup>337</sup>

**589.** Mr Patey advised that:

“Without progress on security the encouraging start made by DPM [Deputy Prime Minister] Barham Salih and his economic team will be stillborn. The exodus of businessmen and the Iraqi middle class continues due to security concerns. They will take some persuading to return a second time but their entrepreneurial skills will be vital if the country is to thrive.”

**590.** Mr Patey’s valedictory report was passed to Mr Blair on 21 July.<sup>338</sup>

**591.** The ISG reflected on reporting from Baghdad, and its implications for the existing strategy, on 27 July.<sup>339</sup> The ISG agreed that although success or failure in Baghdad would be critical to overall campaign success in Iraq and was therefore the coalition’s highest priority, the “best way for the UK to contribute to the wider military campaign was to continue to focus our limited resources on MND(SE), in particular, on Basra”.

**592.** At the meeting, Mr Dinham argued that the UK should focus its future support on central government and in particular on budgetary management and critical economic reforms. Iraq was now enjoying increased revenue as a result of higher oil prices and slowly rising exports; the challenge was to ensure those revenues were redirected from wasteful and damaging subsidies to investment in public services. The security situation

<sup>333</sup> Public hearing, 17 December 2009, page 67.

<sup>334</sup> Public hearing, 9 July 2010, page 26.

<sup>335</sup> Cabinet Minutes, 13 July 2006.

<sup>336</sup> JIC Assessment, 19 July 2006, ‘Iraq: Insurgency, Sectarianism and Violence’.

<sup>337</sup> eGram 31514/06 Baghdad to FCO London, 20 July 2006, ‘Iraq: Valedictory’.

<sup>338</sup> Minute Banner to Prime Minister, 21 July 2006, ‘Iraq: Update and Maliki Meeting’.

<sup>339</sup> Minute Cabinet Office [junior official] to Sheinwald, 27 July 2006, ‘Iraq Strategy Group, 27 July’.

meant that undertaking major new infrastructure projects had become impossible. The ISG agreed that this was:

“... an entirely sound approach, but noted the large gap between what we planned to offer and Iraqi expectations. This would need careful management.”

**593.** Dr Rosalind Marsden, the newly arrived Consul General in Basra, reported on 24 August that her first impression of the Basra political scene was of “stasis”.<sup>340</sup> The Provincial Government had yet to show itself capable of responding to Basra’s major security and economic challenges. Local leaders were comfortable blaming each other and the coalition for the lack of progress, while pursuing their “criminal interests”. The Better Basra Plan had “most of the ingredients” to break the log-jam, but the UK’s influence was diminishing.

**594.** Section 9.5 describes the development in August and September of Operation SALAMANCA, the operation to implement the military elements of the Iraqi Government’s Basra Security Plan.

**595.** Major General Richard Shirreff, who took over as GOC MND(SE) in mid-July,<sup>341</sup> told the Inquiry that Op SALAMANCA comprised three major elements:

“... what we did was select different areas of the city, and ... surging with concentration of force, secure the area, put teams into the police stations to go through the police stations with a fine-toothed comb, to establish the state of police stations ...

“We surged police training teams in, Royal Military Police and contract policemen from elsewhere. At the same time we conducted a number of pre-planned reconstruction and other projects, everything from levelling football pitches to playgrounds, to refurbishing schools.”<sup>342</sup>

**596.** Mr Martin Howard, MOD Director General Operational Policy, told the 25 August ISOG meeting that Mr Browne would want to be reassured that “arrangements for delivering civilian activities” were in place and robust before approving Op SALAMANCA.<sup>343</sup>

**597.** The British Embassy Office Basra issued a detailed brief on Op SALAMANCA (which it described as “the security pillar of Better Basra”) by eGram on 12 September.<sup>344</sup> The brief identified the importance of exploiting the conditions created by Op SALAMANCA. Short-term projects under Op SALAMANCA should be linked to longer-term initiatives. Funding (primarily Iraqi funding) was available, “most of the right

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<sup>340</sup> eGram 36964/06 Basra to FCO London, 24 August 2006, ‘Iraq: Basra: Political Overview’.

<sup>341</sup> Report Cooper, 13 July 2006, ‘GOC MND(SE) – southern Iraq Update – 13 July 2006’.

<sup>342</sup> Public hearing, 11 January 2010, pages 19-20.

<sup>343</sup> Minute Blake to Banner, 25 August 2006, ‘Iraq Senior Officials Group’.

<sup>344</sup> eGram 42792/06, Basra to FCO London, 12 September 2006, ‘Iraq: Basra: Operation Salamanca/Date Palm’.

people” were in place (the PRT had “marshalled an impressive array of UK and partners’ talent”), and teams in Basra were working together “more closely than ever” through the southern Iraq Steering Group.

**598.** The transition to PIC in Dhi Qar province took place on 21 September.<sup>345</sup>

**599.** Maj Gen Shirreff reported on 28 September that Operation SINBAD (the new name for Op SALAMANCA) had at last begun, after a “tortuous” round of final negotiations with Iraqi politicians.<sup>346</sup>

**600.** On 5 October, at the request of the FCO, the JIC assessed the performance of the Iraqi Government, its level of popular support and its prospects over the year ahead.<sup>347</sup> The JIC judged that after five months in office:

“... the faction-based Iraqi Government is proving ineffective ... Co-ordination between and within Government ministries is poor. None of this looks likely to improve in the near future. Meanwhile, sectarian and insurgent violence is at a record high, and fuel, water and electricity shortages persist across much of the country.”

**601.** The 12 October meeting of DOP(I) received a paper by officials on the medium-term prospects for Iraq.<sup>348</sup>

**602.** A DFID official advised Mr Benn in advance of the meeting that the paper had been “inspired by” Mr Patey’s valedictory telegram (which had assessed that strategic failure in Iraq was a distinct possibility but not inevitable), and was set in the context of increasing insecurity.<sup>349</sup>

**603.** The official advised Mr Benn that discussions around the paper provided a good opportunity for DFID to reassure departments – especially the MOD – that it was “shouldering our share of the burden” in Iraq. DFID’s two current projects in the South, the IISP and the Governorate Capacity Building Project, were due to finish in March 2007, when DFID would aim to close its office in Basra. Deteriorating security meant no new projects could be designed or implemented. There was “little/no expectation” from the MOD or FCO that DFID would continue to invest in infrastructure, given the flow of US CERPs money and anticipated investments by Japan, the World Bank and the Iraqi Government itself. The official concluded:

“We have largely won the argument that DFID should shift focus from physical investments in Basra to technical assistance in Baghdad to maximise our impact, and the [medium-term] paper reflects this in its recommendations.”

<sup>345</sup> Report Shirreff, 21 September 2006, ‘GOC MND(SE) – southern Iraq Update – 21 September 2006’.

<sup>346</sup> Report Shirreff, 28 September 2006, ‘GOC MND(SE) – southern Iraq Update – 28 September 2006’.

<sup>347</sup> JIC Assessment, 5 October 2006, ‘Al-Maliki’s Government: Interim Progress Report’.

<sup>348</sup> Paper, 10 October 2006, ‘Iraq: Medium Term Prospects and Implications’.

<sup>349</sup> Minute DFID [junior official] to Private Secretary [DFID], 6 October 2006, ‘Iraq: Future for DFID Programme from 2007’.

**604.** The medium-term prospects paper assessed that Iraq had reached a critical juncture, with violence at its highest ever level, reconciliation making little headway and public services still in a parlous state.<sup>350</sup> The UK's existing goal for Iraq was:

“A democratic, stable, united and law-abiding Iraq ... providing effective, representative and inclusive government for all its people.”

That was now likely to be the “best case outcome”, and unlikely to be achievable in full. The best achievable outcome was likely to be:

“... an Iraq which can govern and sustain itself nationally and provincially, and where sectarian and other violence is contained short of the point where it would overwhelm Iraq's institutions and precipitate chaos and/or civil war.”

Achieving that outcome lay primarily in the hands of the Iraqi Government. The UK's ability to influence its decisions would continue to decline. The coalition's current strategy of direct support combined with building Iraqi capacity remained the only credible way to exert influence.

**605.** The paper argued that Iraq's economic success depended more on the policies and actions of the Iraqi Government than on the backing of the international community. High oil prices had bolstered Iraq's finances, but the Iraqi Government needed assistance in managing the economy, bringing about structural reforms, and unblocking domestic investment to improve public services. The implications for the UK were:

- The UK's effort in Basra should be channelled as far as possible through the PRT, which might need to continue work into 2008 in line with the planned UK military effort.
- DFID's programme should increasingly be directed at enabling the Iraqi Government to tackle key challenges at the centre, including reconciliation, economic management and critical capacity deficits.

**606.** The DOP(I) meeting touched only very briefly on the paper, as Mr Browne indicated he would like more time to discuss and agree it formally at a later date.<sup>351</sup>

**607.** DOP(I) discussed the medium-term prospects paper at their next meeting, on 20 October.<sup>352</sup> Mr Blair was not present, so Mr Browne chaired the meeting.

**608.** Mr Browne began by saying that the existing goal would be difficult to achieve, but Ministers had to be certain that there was not more the UK could do before accepting anything less.

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<sup>350</sup> Paper DOP(I), 10 October 2006, 'Iraq: Medium Term Prospects and Implications'.

<sup>351</sup> Minutes, 12 October 2006, DOP(I) meeting.

<sup>352</sup> Minutes (revised), 20 October 2006, DOP(I) meeting.

**609.** Mr Browne also said that DFID's aspiration to move its focus to Baghdad was well understood, but the UK had a significant stake in the South and needed a clearer understanding of the impact of such a move on activity there.

**610.** In discussion, a member of DOP(I) said that most DFID projects in the South were likely to be completed by spring 2007 and that no new projects could be started under current security circumstances. The UK's medium-term legacy depended on getting economic management and reconciliation going and Baghdad functioning, which meant building capacity in central ministries.

**611.** DOP(I) agreed that the UK should keep the existing policy goal, but recognise that the best outcome achievable might fall short of it.

**612.** It also agreed that a progressive reduction of UK forces to 4,500 in 2007, in concert with US and other allies, was possible, with more ambitious reductions being considered at the end of November.

**613.** The medium-term prospects paper was discussed again at the 26 October meeting of DOP, alongside an update from Mr Browne on security developments in Iraq.<sup>353</sup>

**614.** ACM Stirrup advised that Op SINBAD "could not be going better, although there had been an increase in the number of indirect fire attacks on the Basra Palace Compound". The main concern of Basrawis was whether the success of the operation could be sustained, which "would require engagement and funds from the Government in Baghdad".

**615.** DOP agreed the analysis and recommendations contained in the medium-term prospects paper.

**616.** Section 15.1 describes the increasing threat posed by rocket and mortar fire to Basra Palace Compound (BPC), and the discussions within the UK Government on how to respond.

**617.** At the 27 October meeting of the ISG, Mr Simon McDonald, FCO Director Iraq, reported that the security situation in Basra had deteriorated to the point where Mrs Beckett had decided it was necessary to withdraw the majority of civilian staff from the BPC to Basra Air Station (BAS) or out of theatre.<sup>354</sup>

**618.** The BPC housed the British Embassy Office Basra, the DFID Basra Office, elements of the police and prisons teams, and the PRT.<sup>355</sup> MND(SE) was already located at BAS.

**619.** The lack of hardened accommodation suitable for civilian staff at BAS meant that not all staff could be relocated immediately.

<sup>353</sup> Minutes, 26 October 2006, DOP meeting.

<sup>354</sup> Minute Cabinet Office [junior official] to Sheinwald, 30 October 2006, 'Iraq Strategy Group, 27 October'.

<sup>355</sup> Paper Iraq Policy Unit, 25 October 2006, 'Iraq: Basra Palace Site'.

**620.** The PRT withdrew to Kuwait and redeployed to BAS in mid-December, when sufficient hardened accommodation had been constructed.<sup>356</sup>

**621.** Mr Blair was advised by his Private Secretary later that day that “this move is likely to be seen as a victory by those attacking us”.<sup>357</sup> Dr Marsden and four FCO civilian staff would remain in the BPC, while other staff would relocate elsewhere (the majority to the BAS).

**622.** The US Office of the Special Inspector General for Iraq Reconstruction (SIGIR) published its audit of PRT capability on 29 October.<sup>358</sup> The audit, which had been conducted over the summer, concluded that while the creation of 10 PRTs and eight satellite offices was a “noteworthy achievement”, many obstacles to effective operation remained. Those included insecurity, delays in providing funding, the difficulty of recruiting and retaining qualified civilian personnel, and the difficulty of integrating civilian and military personnel.

**623.** On the Basra PRT, SIGIR assessed that the unstable security situation meant that PRT members had not been able to interact personally with their Iraqi counterparts, significantly limiting the PRT’s ability to achieve its mission. It questioned “whether the continued deployment of PRT personnel to ... Basra ... makes operational sense at this time”.

**624.** The Inquiry has seen no indications that the UK Government discussed the SIGIR audit.

**625.** The 2 November weekly update from GOC(MND)SE, which was sent by Maj Gen Shirreff’s Chief of Staff, reported that the withdrawal of civilian personnel had come as a surprise to MND(SE).<sup>359</sup> It was expected to have an adverse impact, including by disrupting long-term reconstruction because of the “haste with which the PRT has been evacuated”.

**626.** On 7 November, the British Embassy Baghdad and the British Embassy Office Basra responded to an IPU request for accounts of what life was like for ordinary Iraqi citizens. Their replies warned that they could offer only an impressionistic view due to the constraints under which they operated.

**627.** The Embassy reported that:

“Our protected circumstances constrain our ability to interact with ordinary Iraqis or even visit Baghdad. Our impressions can only be gleaned through the press, or piecemeal, anecdotally and at second or third hand.”<sup>360</sup>

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<sup>356</sup> Report PCRU/DFID, 19 December 2006, ‘Refocusing Civilian Efforts in Basra in the Run Up to PIC’.

<sup>357</sup> Minute Banner to Blair, 27 October 2006, ‘Iraq Update, 27 October’.

<sup>358</sup> Office of the Special Inspector General for Iraq Reconstruction, 29 October 2006, *Status of the Provincial Reconstruction Team Program in Iraq*.

<sup>359</sup> Report Everard, 2 November 2006, ‘GOC MND(SE) – southern Iraq Update – 2 November 2006’.

<sup>360</sup> Letter Gibson to IPU [junior official], 7 November 2006, ‘Life in Baghdad for Ordinary Iraqis’.

**628.** The British Embassy Office Basra offered a similar view:

“We cannot go into ordinary Iraqi homes, shops and schools or move freely around the city (or even our own compound). Nearly all our local staff have left because of death threats and intimidation.”<sup>361</sup>

**629.** The accounts were passed to Mr Blair on 10 November.<sup>362</sup>

**630.** DOP(I) considered the impact of the withdrawal of civilian personnel on 16 November.<sup>363</sup> Mrs Beckett and Sir Suma Chakrabarti reported that the impact of the withdrawal of civilian personnel from the BPC on the Better Basra Action Plan and on DFID’s programmes had been “marginal”.

**631.** Mrs Beckett summed up that officials should develop some clear and agreed forward planning on the future of the civilian and military presence in Basra.

**632.** A December 2006 joint DFID/PCRU report assessed that the impact of the PRT’s withdrawal from the BPC to Kuwait on its work was “significant but not catastrophic”.<sup>364</sup> Little of its work required face-to-face contact with Iraqi citizens.

**633.** The relocation of the PRT from Kuwait to BAS was under way, and the benefits of co-location with MND(SE) were already apparent. The PRT’s access to military partners went some way to overcoming problems caused by the lack of a common secure communication system between civilians and the military. Informal contacts were also helping to build mutual understanding of objectives and aims.

**634.** A number of witnesses told the Inquiry that the move to BAS led to much greater contact between UK civilian personnel and Iraqi citizens. Mr Robert Tinline, Deputy Consul General in Basra, described BAS as a “neutral venue”:

“Because we were next to the airport, which was Iraqi obviously, but close enough to our security ... that meant they [our Iraqi interlocutors] didn’t have to come and see us and we didn’t have to go and see them. So it was actually very good.”<sup>365</sup>

**635.** Section 9.5 describes the wider implications of the withdrawal of civilian personnel, including for US/UK relations.

**636.** Mr Gordon Brown, the Chancellor of the Exchequer, visited Basra on 18 November.<sup>366</sup> During that visit, Maj Gen Shirreff expressed his concern that long-term economic and development work was being prioritised above short-term interventions that would yield more immediate results. He proposed that the UK should establish a

<sup>361</sup> Letter Marsden to IPU [junior official], 7 November 2006, ‘Iraq: Basra; Life for Ordinary Iraqis’.

<sup>362</sup> Minute Banner to Prime Minister, 10 November 2006, ‘Iraq Update: 10 November’.

<sup>363</sup> Minutes, 16 November 2006, DOP(I) meeting.

<sup>364</sup> Report PCRU/DFID, 19 December 2006, ‘Refocusing Civilian Efforts in Basra in the Run Up to PIC’.

<sup>365</sup> Public hearing, 24 June 2010, pages 10-11.

<sup>366</sup> Minute Treasury [junior official] to Chancellor, 13 December 2003, ‘Basra Visit: Responding to Major General Shirreff’s Concerns’.

joint (civilian and military) taskforce, under a single (unspecified) command, to plan such short-term interventions.

**637.** Section 9.5 describes the development in October and November of the UK's Forward Plan, at Mr Blair's request.

**638.** Mr McDonald sent a draft Plan to Mr Blair's Private Secretary on 24 November.<sup>367</sup> Copies of the draft were sent to Mrs Beckett, Mr Browne and SIS, but not Mr Benn.

**639.** The draft Plan recognised that:

"The wider context ... is the growing reality of Iraqi sovereignty. The Iraqi Government and political class have their own priorities, which are not the same as ours. Maliki's highest priority now is accelerating the pace of security transition."

**640.** The draft Plan included proposed actions under three headings:

- Political accommodation;
- Governance and economic development; and
- Security.

**641.** On governance and economic development, the draft Plan identified the "core problems" as a lack of political will and leadership and weak capacity across the Iraqi Government to drive forward a reform agenda and spend its budget. The immediate objective was to impress upon Prime Minister Maliki and his senior Ministers and advisers that economic management and reform required sustained attention and visible leadership, as a strategic and security issue. Prime Minister Maliki also needed to ensure that provincial governments were properly resourced and held to account, as part of the process of forging a political settlement.

**642.** Immediate actions that Prime Minister Maliki might take included:

- striking a deal on oil revenue sharing and starting to restructure the oil sector so it behaved more like a business;
- striking a deal on fiscal federalism, and getting Iraqi resources flowing to the provinces to improve services; and
- by early 2007, adopting the International Compact as a key part of the Iraqi Government's reform agenda.

**643.** The UK would also press Prime Minister Maliki to:

- establish and chair an "economic Task Force" to give strategic direction on economic management and reform and hold Ministers and provincial governments to account;

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<sup>367</sup> Minute McDonald to Banner, 24 November 2006, 'Iraq Forward Plan' attaching Paper [draft], [undated], 'Iraq: Forward Plan'.



- appoint effective technocrats to replace the “most egregiously partisan” and underperforming ministers;
- take personal responsibility for Iraq’s engagement with the International Compact;
- secure agreement on a Hydrocarbons Law;
- push for a full and effective multilateral presence in Iraq;
- start reforming key ministries; and
- get Iraqi resources to the provinces to improve local services and create jobs.

**644.** The draft Plan stated that that was an ambitious and complex agenda. Progress on reform had so far been limited and the UK needed to be realistic about chances of “widespread success” in the next six months, although traction was improving in some areas as the quality of Ministers and political leadership improved.

**645.** Responding to Mr McDonald, Mr Blair’s Private Secretary reported that he had described the Forward Plan as “an excellent piece of work”.<sup>368</sup> The Private Secretary asked for the Plan to be finalised and implemented.

**646.** No.10 sent the White House a copy of the Forward Plan on 25 November, stressing that it remained “work in progress”.<sup>369</sup>

**647.** Maj Gen Shirreff’s weekly report of 30 November offered an assessment of progress on Op SINBAD (two months into the Operation).<sup>370</sup> He reported that a great deal had been achieved:

- Over US\$50m had been committed to more than 150 short- and medium-term projects, creating over 12,000 jobs. The projects had been selected with the relevant Iraqi authorities; that approach had won public and political consent at the local, regional and national level.
- There had been an improvement in the general security situation and in the confidence and capability of the ISF. Further action was needed to reduce indirect fire and tackle corruption in the Iraq Police Service.

**648.** On reconstruction, Maj Gen Shirreff commented:

“... the area that will underwrite the success of Op SINBAD is reconstruction and economic development. I have previously mentioned the need to fill the gap between the immediate impact projects of Op SINBAD and whatever longer-term activity is undertaken by the PRT as well as the requirement to co-ordinate the efforts of the MOD, FCO and DFID in southern Iraq better, hence recent efforts to breathe life back into the comprehensive approach before it is completely moribund.”

<sup>368</sup> Letter Banner to McDonald, 27 November 2006, ‘Iraq: Forward Plan’.

<sup>369</sup> Letter Sheinwald to Hadley, 25 November 2006, [untitled], attaching Note Blair, 27 November 2006, ‘Iraq Forward Plan’ and Paper, [undated], ‘Iraq: Forward Plan’.

<sup>370</sup> Report Shirreff, 30 November 2006, ‘GOC(MND)SE – southern Iraq Update – 30 November 2006’.

**649.** Maj Gen Shirreff reported that he had agreed with Dr Marsden and the Head of the DFID Office in Basra that to address that gap, the PRT needed to be directed to work more closely with MND(SE), and that it needed clearer direction from London to ensure it focused on delivering short-term projects rather than on long-term projects to build Iraqi capacity. Those steps might “obviate the need for a JIATF [Joint Inter-Agency Task Force] under command MND(SE)”.

**650.** The report was sent to No.10 on 1 December and passed to Mr Blair the same day.<sup>371</sup>

**651.** Lt Gen Shirreff told the Inquiry that the US had agreed to provide “significant amounts” of US funding for the reconstruction component of the operation, of which he spent US\$80m.<sup>372</sup>

**652.** Lt Gen Shirreff also told the Inquiry that while MND(SE) worked with the PRT as much as it could, the PRT was in “some state of disarray” at that time.<sup>373</sup> He had “pretty close links” with Dr Marsden and the British Embassy Office Basra, including through a forward headquarters in Basra Palace, but effective co-ordination was difficult as long as MND(SE) and the British Embassy Office Basra were not co-located.

**653.** Lt Gen Shirreff concluded that the “inter-governmental piece” had failed by the time of Op SINBAD.

**654.** In response to the concerns that Maj Gen Shirreff had raised with Mr Brown on 18 November, the Treasury convened a meeting with DFID, FCO and MOD officials on 7 December to consider whether the UK should prioritise short-term economic interventions in Basra.<sup>374</sup>

**655.** A Treasury official advised Mr Brown on 13 December that the meeting had concluded that:

- Money was not a “binding constraint” in the South. The “potential pool” comprised US\$176m from the Iraqi Government, US\$260m from the US and US\$550m in soft loans from the Japanese. Money was available for short-term interventions: only £1.1m of the £5m Rapid Reaction Fund (part of DFID’s SIESP) had so far been spent.
- The inability to generate good project ideas was a constraint.
- Bringing the southern Iraq Steering Group under a single command would be possible and could be effective but might prove contentious.

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<sup>371</sup> Letter McNeil to Banner, 1 December 2006, ‘Iraq: Update’ attaching Report Shirreff, 30 November 2006, ‘GOC(MND)SE – southern Iraq Update – 30 November 2006’; Minute Banner to Prime Minister, 1 December 2006, ‘Iraq Update: 1 December’.

<sup>372</sup> Public hearing, 11 January 2010, page 16.

<sup>373</sup> Public hearing, 11 January 2010, pages 20-21.

<sup>374</sup> Minute Treasury [junior official] to Chancellor, 13 December 2006, ‘Basra Visit: Responding to Major General Shirreff’s Concerns’.

- PCRU officials were visiting Iraq to explore how civil/military co-ordination could be improved.

**656.** The official commented:

“... it is important to be realistic about what can be achieved and in what timeframe. The Armed Forces can interpret ‘short-term’ to be 48 hours but for DFID it means 6 months.”

**657.** The Inquiry has seen no indications that Mr Brown or Treasury officials replied to Maj Gen Shirreff.

**658.** Maj Gen Shirreff raised his concerns with Mr Blair at the end of December.

### UK plans for 2007, and the US surge

**659.** Section 9.5 describes President Bush’s decision in late November to deploy additional US troops to Iraq to conduct a full-scale counter-insurgency campaign in Baghdad, the UK’s response to that decision, and US concerns over UK plans to draw down troops in the South.

**660.** In preparation for the 7 December meeting of DOP(I), officials prepared a paper on military plans for southern Iraq in 2007 and a paper on the UK’s objectives and presence in Basra.

**661.** The MOD paper on military plans for southern Iraq reported that Op SINBAD could create the conditions to achieve PIC in Basra as early as March 2007.<sup>375</sup> The intention was to “re-posture” UK troops from bases in Basra City to BAS at the end of Op SINBAD. From there, UK forces would perform a “Military Assistance Mission”. That would lead to a reduction in troop numbers from 7,100 to 4,500 in May 2007, and possible further reductions later in the year.

**662.** The Basra paper, which was produced by the FCO, considered the implications of that re-posturing and of the continuing security threat to civilian operations.<sup>376</sup> The FCO paper recommended aiming for PIC in Basra at some point between March and June 2007. The civilian effort would be led from BAS as there was no prospect of being able to return to the BPC. Although this meant a limit on the number of civilian staff and tougher conditions, there would be “significant advantages in co-location with the military – making possible a more cohesive approach”.

**663.** The FCO recommended that the main objectives of the civilian effort during 2007 should be to:

- help deliver PIC in Basra;

<sup>375</sup> Paper MOD, 5 December 2006, ‘UK Military Plans for southern Iraq in 2007’.

<sup>376</sup> Paper FCO, 1 December 2006, ‘Basra: Objectives and Presence in 2007’.

- continue political engagement, SSR, and capacity-building in the provincial government; and
- ensure that Baghdad delivered the resources that Basra needed.

**664.** At the DOP(I) meeting, Mr Benn advised that the UK's major development projects were now reaching completion.<sup>377</sup> The arrival of a gas pumping plant in the next few days would significantly increase gas supply and leave a positive legacy. Although the water towers projects had been delayed by security risks, DFID planned to move its focus to capacity-building. The main challenge now would be ensuring the Provincial Council received the necessary funds from Baghdad.

**665.** Mr Benn also said "a silent crisis" was unfolding in Iraq, as Iraqi citizens fled from sectarian violence. That was putting increasing pressure on Iraqi services. DFID had provided £1.4m to the International Committee of the Red Cross (ICRC).

**666.** DOP(I) agreed the overall intent of the MOD and FCO papers.

**667.** Mr Blair wrote to President Bush on 20 December.<sup>378</sup> He emphasised the importance of support for Prime Minister Maliki, through increasing the speed at which the Iraqi Army was developing, supporting the reconciliation and outreach work, and helping to create a more effective system for the disbursement of money within Iraq.

**668.** On 5 January 2007, President Bush briefed Mr Blair ahead of his speech on Iraq the following week.<sup>379</sup> During the call he described a significant increase in US and Iraqi troops, and a number of personnel changes.

**669.** Mr Blair said that it was vital to break the back of the violence in Baghdad. He urged President Bush to focus on reconciliation and reconstruction as well as security, suggesting that it might be helpful to designate individuals who would be accountable for leading work on those areas.

**670.** Mr Blair's Private Secretary wrote to Mrs Beckett's Private Secretary on 8 January:

"We are entering an important new phase in the Coalition effort in Iraq, as – following the US review and in the light of our plans in Basra – we and the US attempt to help the Iraqi Government entrench genuine change and progress in the areas of security, reconstruction and reconciliation. The Prime Minister judges that our present level of effort should be stepped up in response. He would like to see a qualitative change in our ability to monitor progress in these key areas, to identify blockages to progress, and to take rapid action to fix these."<sup>380</sup>

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<sup>377</sup> Minutes, 7 December 2006, DOP(I) meeting.

<sup>378</sup> Note [Blair to Bush], [20 December 2006], 'Note'.

<sup>379</sup> Letter Phillipson to Hayes, 5 January 2007, 'Prime Minister's Phonenumber with President Bush, 5 January: Iraq'.

<sup>380</sup> Letter Banner to Siddiq, 8 January 2007, 'Iraq'.

**671.** The letter asked for detailed reports and weekly updates on key areas, including:

- a detailed report on reconstruction; and
- a weekly report on political development, security and economic activity in Basra.

**672.** Mr Blair and President Bush spoke again on 9 January.<sup>381</sup> Mr Blair said that he had asked for changes in the way that the UK system monitored and chased up progress in Iraq. Information, for example on reconstruction, was incomplete. The US and UK needed to be sure that everything that could be done on reconstruction was being done. Mr Blair said that he wanted someone on the UK side “such as a senior military figure” to travel around Iraq and report on what was actually happening, for example in Najaf. The US and UK needed to improve delivery of assistance in calmer areas, to demonstrate that peace brought dividends.

**673.** An 11 January JIC Assessment judged that:

- There continued to be real economic growth in Iraq, but the Iraqi Government had shown little commitment to economic reform and large-scale job creation was highly unlikely in the next two years.
- The Iraqi Government was not short of funds (the JIC estimated that the Government had accumulated some US\$12bn since 2003 as a result of unspent budget allocations), but public investment was hampered by weak central Government ministries and a lack of competent staff at all levels of Government.
- The security situation remained the main obstacle to private sector development and foreign investment.<sup>382</sup>

**674.** President Bush announced the new US strategy in an address to the nation on 10 January:

“The situation in Iraq is unacceptable to the American people – and it is unacceptable to me ...

“It is clear that we need to change our strategy in Iraq.”<sup>383</sup>

**675.** President Bush said that a successful strategy needed to combine robust military operations with visible improvements in Iraqi neighbourhoods and communities. As well as providing 20,000 additional US troops and increasing efforts to build the capacity of the ISF, the US would also increase its efforts to build the capacity of the Iraqi Government, including by doubling the number of PRTs and giving US military commanders and PRT leaders greater flexibility in how they used resources for economic assistance.

<sup>381</sup> Letter Banner to Hayes, 9 January 2007, ‘Prime Minister’s Phonecall with President Bush, 9 January: Middle East Issues’.

<sup>382</sup> JIC Assessment, 11 January 2007, ‘Iraq: Economic Prospects’.

<sup>383</sup> The White House Archive, 10 January 2007, *President’s Address to the Nation*.

**676.** The result of the new strategy set out by President Bush is often referred to in contemporary documents as the new Baghdad Security Plan.

**677.** The British Embassy Baghdad reported on 11 January that the new Iraqi-led Baghdad Security Plan was under way.<sup>384</sup> In contrast to previous plans, there was greater emphasis on reconstruction, with a focus on job creation. Five “mini-PRTs” had been embedded with troops in Baghdad to assist with reconstruction operations. The US also planned to inject funds into Iraqi State-owned enterprises to generate rapid job creation (the Bradley Initiative).

**678.** The British Embassy Baghdad reported on 26 March that the US had spent US\$1.6bn on 1,678 reconstruction projects as part of the new Baghdad Security Plan.<sup>385</sup>

### **Major General Shirreff’s proposal for a military-led UK effort in the South**

**679.** In parallel with discussions on the new US strategy, the UK Government considered and rejected Maj Gen Shirreff’s proposal for a military-led Joint Inter-Agency Task Force in the South.

**680.** Maj Gen Shirreff wrote to Mr Blair on 29 December to offer, in response to Mr Blair’s request during his recent visit to Iraq, “some thoughts on how a Joint Inter-Agency Task Force would deliver concentrated British effect in SE Iraq and improve the prospects of achieving strategic success”.<sup>386</sup>

**681.** Surveys indicated that Op SINBAD was having a positive effect, but it could do no more than:

“... create a window of opportunity that must be filled by mass economic effect, a Rooseveltian New Deal for Basra. Only thus will the militia be defeated. This requires the mass injection of Iraqi Government funds ...”

**682.** Maj Gen Shirreff proposed that to achieve that:

- the Iraqi Government should establish a reconstruction committee for Basra with authority and capability to spend central Government money; and
- the coalition should establish an organisation capable of providing the right advice and planning capability.

**683.** The current arrangement lacked unity of command and purpose. HQ MND(SE) had the planning muscle, the energy, the staying power and the unity of command to execute an overarching plan (such as Op SINBAD), but it lacked expertise on reconstruction. The

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<sup>384</sup> eGram 1160/07 Baghdad to FCO London, 11 January 2007, ‘Iraq: Reinvigorated Baghdad Security Plan’.

<sup>385</sup> eGram 12261/07 Baghdad to FCO London, 26 March 2007, ‘Iraq: Update on the ‘Economic Surge’.

<sup>386</sup> Letter Shirreff to Blair, 29 December 2006, [untitled].

PRT, currently below strength and operating out of a hotel in Kuwait, preferred to focus on long-term capacity-building. Co-location in the new year, when the PRT moved to the BAS, would help but would not solve the underlying problems.

**684.** Maj Gen Shirreff recommended that the UK should establish a Joint Inter-Agency Task Force (JIATF) with coalition partners, combining military and reconstruction expertise under single military command.

**685.** Lt Gen Shirreff told the Inquiry that his proposal for a JIATF under military command was a response to the fragmented UK effort at the time:

“... this was sort of desperate times and desperate measures. I’m not sure I would necessarily propose the same solution today ... But at the time, it seemed to be the only way ...”<sup>387</sup>

**686.** The ISG discussed Maj Gen Shirreff’s letter on 5 January 2007.<sup>388</sup> Vice Admiral Charles Style, Deputy Chief of Defence Staff (Commitments), said the letter did not reflect the “MOD corporate view”, but that he had some sympathy for the need for better co-ordination and command: the southern Iraq Steering Group had met only five times since May 2006, which was not good enough. Co-location at the BAS should solve much of the problem, and the organisation needed to be tauter and more focused, but not necessarily military-led.

**687.** Sir Nigel Sheinwald told the ISF that Iraq was “entering a new phase, which required a coherent structure under a single point of contact” and asked for the ISOG to work on new structures.

**688.** Sir Nigel reported to Mr Blair after the meeting that Maj Gen Shirreff’s views:

“... represent his frustration, shared by the MOD, that the civilian reconstruction effort is uneven. We all agree that we need to make sure that we have an effectively led Basra operation for the next year (at least).”<sup>389</sup>

**689.** Sir Nigel advised that co-location of HQ MND(SE), the PRT and the British Embassy Office Basra at BAS from late February would help co-ordination enormously. He had asked the departments concerned, led by PCRU, to advise on the right structure for the British effort. The balance of opinion was that “it should be civilian-led, with strong military input and follow-up”.

**690.** Sir Nigel added that both DFID and the FCO were:

“... very fed up with Shirreff’s disparaging comments about the civilian effort ... But the fact is that there have been constant problems between the military

<sup>387</sup> Public hearing, 11 January 2010, page 42.

<sup>388</sup> Minute Cabinet Office [junior official] to Sheinwald, 5 January 2007, ‘Iraq Strategy Group, 5 January’.

<sup>389</sup> Minute Sheinwald to Prime Minister, 5 January 2007, ‘Iraq: Weekly Update’ attaching Paper Cabinet Office, 5 January 2007, ‘Basra’.

and civilian people in Basra from the start. We must make a last effort to get a joined-up operation.”

**691.** Mr Blair wrote on Sir Nigel’s minute: “Put Shirreff in charge. The Army gets things done.”<sup>390</sup>

**692.** A No.10 official wrote to Mrs Beckett’s Private Secretary on 8 January, advising that Mr Blair retained an open mind on how to improve civilian/military co-operation in Basra.<sup>391</sup> He looked forward to receiving advice from officials, and was “if necessary ... content that this should be delivered via a task force under military leadership”.

**693.** At DOP(I) on 11 January, Ministers commented that “unbalanced reporting from the military in theatre, disparaging the civilian effort” was “extremely unhelpful”.<sup>392</sup> It was not the right time to create a new UK military-led structure when the UK was trying to put the Iraqi Government in the lead.

**694.** Mr Dinham, who attended the DOP(I) meeting, reported to DFID colleagues that Mr Benn had spoken strongly against Maj Gen Shirreff’s proposal, arguing that the UK should let existing, Iraqi-led organisations find their feet, accept that the Iraq Government might not be that interested in our continued advice and help, and recognise that the time for further UK bilateral pushes on reconstruction was coming to an end.<sup>393</sup> Mr Dinham added that ACM Stirrup had “agreed absolutely with everything that Hilary [Benn] had said”.

**695.** After receiving a further update from Basra on 12 January, Mr Blair wrote: “I still need more info on Basra and have we established the Joint Working yet, led by the military?”<sup>394</sup>

**696.** The meeting of the ISOG on the same day discussed the problems with civilian/military co-ordination.<sup>395</sup> The ISOG agreed that there were a number of contributing factors, “including personalities, departmental differences in duty of care, and too infrequent meetings of the southern Iraq Steering Group”. There was a need to revise structures, to balance the military effort with the civilian, to balance long- and short-term efforts, and that “a military lead was not the right way to go at this time”. Dr Marsden and Maj Gen Shirreff, supported by PCRU, were preparing recommendations on a revised structure.

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<sup>390</sup> Manuscript comment Blair on Minute Sheinwald to Prime Minister, 5 January 2007, ‘Iraq: Weekly Update’.

<sup>391</sup> Letter Banner to Siddiq, 8 January 2007, ‘Iraq’.

<sup>392</sup> Minutes, 11 January 2007, DOP(I) meeting.

<sup>393</sup> Email Dinham to DFID [junior official], 11 January 2007, ‘Restricted: DOP(I)’.

<sup>394</sup> Manuscript comment Blair on Minute Banner to Blair, 12 January 2007, ‘Iraq Update, 12 December’[sic].

<sup>395</sup> Minute Cabinet Office [junior official] to Sheinwald, 12 January 2007, ‘Iraq Senior Officials Group’.



**697.** On 16 January, Mr Blair raised the issue of civilian/military structures in Basra during a meeting with ACM Stirrup and senior officials from the FCO, SIS, the MOD, DFID and the Cabinet Office.<sup>396</sup>

**698.** ACM Stirrup said he did not agree with Maj Gen Shirreff's proposals. It was too late to establish a JIATF; the UK's focus should be on building Iraqi capacity to deliver assistance. The military should not lead that work. Mr Dinham agreed. The No.10 record of the meeting did not report Mr Blair's view.

**699.** Mr Dinham reported separately to DFID colleagues only that Mr Blair had nodded, "seeming to accept" the argument against a move to a military-led reconstruction effort.<sup>397</sup>

**700.** Maj Gen Shirreff told the Inquiry:

"... it was pretty clear to me that ... looking over the period as a whole of my time in command – we had a strategy that involved extraction rather than necessarily achieving mission success. It was, in a sense, an exit strategy rather than a winning strategy. A winning strategy was going to require significant additional resources."<sup>398</sup>

**701.** Major General Jonathan Shaw succeeded Maj Gen Shirreff as GOC MND(SE) in January.

**702.** At the 25 January meeting of the ISG, Sir Nigel Sheinwald asked the FCO and Dr Marsden for a note on the new civilian/military structure in Basra for Mr Blair.<sup>399</sup> That note was issued on 2 March.

## Preparing for Provincial Iraqi Control in Basra

**703.** Sections 9.4 and 9.5 describe the sharp rise in sectarian violence after the bombing of the al-Askira mosque in Samarra in February 2006, and the consequent displacement of Iraqi citizens along sectarian lines. The Government's response to that displacement is addressed later in this Section.

**704.** Section 9.5 describes the discussions between UK and US senior military officers and officials on UK plans for the drawdown of UK troops from MND(SE), and continuing US concerns that UK plans were premature given the security situation in MND(SE).

**705.** Mr Etherington completed his tour as Head of the Basra PRT in January 2007.<sup>400</sup> Two PCRU officials provided short-term cover as Head of the PRT between January and April 2007.

<sup>396</sup> Letter Banner to Siddiq, '16 January 2007', 'Iraq: meeting with officials'.

<sup>397</sup> Email Dinham to DFID [junior official], 16 January 2007, 'Iraq'.

<sup>398</sup> Public hearing, 11 January 2010, page 7.

<sup>399</sup> Minute Cabinet Office [junior official] to Sheinwald, 26 January 2007, 'Iraq Strategy Group, 25 January'.

<sup>400</sup> Minute DFID [junior official] to Private Secretary [DFID], 13 March 2007, 'Iraq: Future of DFID's Presence and Programme in Basra'.

**706.** At DOP(I) on 11 January 2007, Ministers commented that Internally Displaced People (IDPs) were “principally an Iraqi Government responsibility – it should address the violence and push forward reconciliation, and had the resources to address the needs of the displaced”.<sup>401</sup>

**707.** Mr Benn wrote to Mr Blair on 24 January to provide an update on the situation:

“Displacement is causing a de facto geographical separation along sectarian lines, as different ethnic groups move to areas in which they will be the majority.

“There is clearly a strong political dynamic to the situation and it is essential that we address both the cause and the symptoms ... We should press the Iraqi Government to address displacement issues as part of reconciliation, and to do more itself to provide basic services to meet humanitarian needs. The picture is unpalatable for the Iraqi Government ... and indeed for the coalition (hence the largely silent nature of the humanitarian crisis so far) ...

“It is clear that while not letting the Iraqi Government off the hook, we must also continue to respond to humanitarian needs in Iraq ... ”<sup>402</sup>

**708.** The first set of reports requested by Mr Blair’s Private Secretary on 8 January was passed to Mr Blair on 19 January.<sup>403</sup> It included a report from Dr Marsden on developments in Basra.<sup>404</sup>

**709.** On the economy, Dr Marsden reported that the PRT “continues to focus on building the capacity of the Provincial Council to identify priority investment, secure funding and spend it in a transparent way”.

**710.** DFID produced its first fortnightly update on reconstruction for Mr Blair on 25 January.<sup>405</sup> The paper, which he welcomed,<sup>406</sup> highlighted the need to persuade Prime Minister Maliki to see reconstruction as a strategic issue:

“As the sectarian conflict in Iraq deepens, the coalition’s ability to buy consent through quick impact reconstruction projects is waning. Alongside security, Prime Minister Maliki’s Government must start providing basic services to help it win back legitimacy from the militias and other armed groups ...

“There are some signs that the Government is at last starting to grasp this agenda. It has set up an economic committee ... and a basic services committee ... These committees, with US support, aim to co-ordinate civil-military action to build local

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<sup>401</sup> Minutes, 11 January 2007, DOP(I) meeting.

<sup>402</sup> Letter Benn to Blair, 24 January 2007, [untitled].

<sup>403</sup> Minute Banner to Prime Minister, 19 January 2007, ‘Iraq Update, 18 January’.

<sup>404</sup> Letter Marsden to Aldred, 18 January 2007, ‘Basra: Weekly Report’.

<sup>405</sup> Paper DFID, 25 January 2007, ‘Iraq: Reconstruction Update’.

<sup>406</sup> Paper DFID, 25 January 2007, ‘Iraq: Reconstruction Update’; Letter Banner to Siddiq, 29 January 2007, ‘Iraq’.

support by delivering a reconstruction ‘peace dividend’. As yet, it is too early to judge how successful this approach is likely to be.”

**711.** DFID also reported that its aim in the run up to PIC in Basra was to help the Provincial Council demonstrate that it was in charge and delivering services. The first step was to secure Baghdad’s approval for Basra’s provincial strategy and associated budget. The second was to get Baghdad to release the funds. The third was to help the Council to communicate and deliver services. The US had adopted a similar focus.

**712.** DFID’s second fortnightly update on 8 February expanded on the problems that the Iraqi Government had in spending its money.<sup>407</sup> With oil prices topping US\$60 per barrel, the Iraqi Government was “cash rich”, but in the nine months to October 2006, it had spent just 14 percent of the US\$8.2bn allocated to public investment. The Ministry of Oil had spent only one percent of the US\$3.5bn allocated to it. DFID attributed the underspend to:

- poor security;
- poor planning by line ministries (and failure at the centre to demand plans); and
- paralysis resulting from distrust between the Ministry of Finance (responsible for disbursing and accounting for funds) and the Ministry of Planning (responsible for reviewing plans and agreeing allocations).

**713.** The Iraqi Government was considering setting up a National Council for Reconstruction and Development, chaired by the Prime Minister, to accelerate disbursement. The US was setting up a “Budget Execution Cell” in the Deputy Prime Minister’s Office, which might increase disbursement in the short term but was unlikely to be sustainable or to lead to significant improvements in services. DFID commented: “In reality, there are few quick fixes to improving services in Iraq.”

**714.** DFID also reported that the World Bank would open an office in Baghdad the following week. It would have three full-time staff, “supported by DFID and protected under the [UK] security umbrella”. As the coalition scaled back during 2007, the Bank was likely to become the Iraqi Government’s “partner of choice”.

**715.** On the Iraqi Government’s failure to disburse, Mr Blair commented, “we must get this sorted out”; on Iraqi and US action to increase disbursement, he asked, “can’t we provide the competence?”<sup>408</sup>

**716.** Dr Marsden reported on 9 February that the centre of a “revamped” Better Basra Action Plan would be a political plan for getting Basra to PIC and beyond. That political plan would be supported by the other lines of operation (“military, police, reconstruction etc”).<sup>409</sup>

<sup>407</sup> Paper DFID, 8 February 2007, ‘Iraq: Reconstruction Update’.

<sup>408</sup> Manuscript comment Blair on Paper DFID, 8 February 2007, ‘Iraq: Reconstruction Update’.

<sup>409</sup> Letter Marsden to Aldred, 9 February 2007, ‘Basra: Weekly Report’.

**717.** Dr Marsden commented that it was important to acknowledge that the UK did not have a sufficiently clear picture of Basrawi politics and their connection to Baghdadi politics to be confident that any plan was credible.

**718.** The MOD sent No.10 a report on the effects of Op SINBAD on 16 February, as background material for Mr Blair's statement to the House of Commons the following week.<sup>410</sup> It concluded that "quick impact projects, short-term employment, and the demolition of the Jameat police building" had improved consent levels and provided an opportunity to make progress towards PIC.

**719.** MND(SE) had spent US\$77m on quick impact projects during Op SINBAD, generating 25,000 short-term jobs. Those economic results had not been decisive; many of the economic problems in southern Iraq stemmed from a lack of national and Provincial Government capacity to prioritise and spend resources:

"The Provincial Council need to start leading and delivering projects for decisive and sustained economic effect to be felt."

**720.** Mr Blair told the House of Commons on 21 February that the UK hoped that Maysan could be transferred to full Iraqi control "in the next few months", and Basra in the second half of 2007.<sup>411</sup> The transfer of security responsibility would result in a reduction in the level of UK forces from 7,100 to roughly 5,500. With the exception of those troops which would remain at Basra Palace, UK forces would be based at the BAS and be in a support role.

**721.** At the end of February, at Mr McDonald's request, Dr Marsden produced a second report on life for ordinary Iraqis in Basra.<sup>412</sup>

**722.** Drawing on over 100 interviews carried out in and around Basra by a member of the PRT, poll data and other sources, she reported that life was "still grim". Violence and lawlessness were Basrawis' overwhelming concern. Women were increasingly afraid to leave the house, fearing kidnap, harassment or sexual violence. Many had been forced to give up their jobs. The police were not trusted, with many interviewees telling stories of intimidation, kidnapping and death squads.

**723.** Support for the national Government and Prime Minister Maliki was high, support for the Provincial Government low. Local politicians were seen as corrupt, unqualified and linked to militias. No interviewee was able to give an example of something that the Provincial Government had done to improve the lives of ordinary people. After security, unemployment was the most commonly cited concern: polling indicated that some 30 percent of Basrawis were employed. Few interviewees saw any improvements in basic services: what work had been done was of poor quality. Most Basrawis had

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<sup>410</sup> Letter Beadle to Banner, 16 February 2007, 'The Effects of Op SINBAD 20 September 2006 to 14 January 2007'.

<sup>411</sup> House of Commons, *Official Report*, 21 February 2007, columns 261-280.

<sup>412</sup> Letter Marsden to McDonald, 28 February 2007, 'Basra: everyday life for ordinary Iraqis'.

electricity for between seven and 12 hours a day. Mains water was not suitable for drinking; families that could afford it bought bottled water. Hospitals were dirty and poorly staffed and equipped. Experienced doctors had left the country or been killed. Medicine was expensive and in short supply. School standards were low.

**724.** More positively, Dr Marsden reported that people still rejoiced in their greater political freedom. Civil society was growing. The better off could enjoy new consumer goods and the freedom to travel outside Iraq. There were signs of growth in the local economy and public sector salaries had steadily increased.

**725.** Dr Marsden sent Ms Aldred the third iteration of the Better Basra Action Plan (BBP3) on 2 March.<sup>413</sup> In her covering letter, Dr Marsden advised that:

“For the first time we have got a fully integrated plan that has been drafted jointly by the Consulate [British Embassy Office Basra], the PRT and MND(SE).”

**726.** Dr Marsden also advised that BBP3 had also been discussed in detail with the Head of the US Embassy Regional Office in Basra, who was content with it (though he did not intend to clear it formally with Washington).

**727.** BBP3 stated that it was “a comprehensive strategy for bringing Basra to the point where it can transition to Provincial Iraqi Control (PIC)”. It sought to ensure that all nine “lines of operation” (political, security, rule of law, the judiciary, prisons, governance, infrastructure, economic development and strategic communications) were integrated under a single, overarching political strategy. BBP3 set out for each line of operation, key benchmarks for March and June 2007, a detailed work plan, and an estimate of the cost of implementing proposed new projects (which totalled some £21m in 2007/08). Delivery of BBP3 would be “driven by” the southern Iraq Steering Group (SISG).

**728.** The political and security lines of operation are described in Section 9.5 and the rule of law, judiciary and prisons lines of operation in Section 12.1.

**729.** On governance, BBP3 stated that the UK’s focus would continue to be to help the Provincial Council to plan for, access and spend resources in a prioritised, transparent and accountable way, and to develop an effective working relationship with Baghdad to ensure that Basra got its share of the national budget.

**730.** On infrastructure, the UK’s objective was to support the Provincial Council to deliver better services using Iraqi resources, while continuing to use CERPs funding, where appropriate, for “last mile service provision”.

**731.** On economic development, the UK’s priorities were to boost job creation, lay the foundations for more entrepreneurial activity and cross-border trade, support the agricultural sector, and build the Provincial Government’s capacity to support economic

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<sup>413</sup> Letter Marsden to Aldred, 2 March 2007, ‘Better Basra’ attaching Paper Basra Consulate/PRT/MND(SE), 1 March 2007, ‘Better Basra Mark 3: The 2007 plan’.

development. Activities included the establishment of a Basra Provincial Development Agency and Development Fund.

**732.** BBP3 stated that:

“We have to be realistic about what we can achieve. With the time and resources available, we cannot address all Basra’s problems nor every falling in its public administration and security forces. ‘Better Basra’ seeks to address those identified as most critical to making progress against established transition readiness indicators.”

**733.** Mr Rob Tinline, Deputy Consul General in Basra from February 2007 to February 2008 and one of the authors of BBP3, told the Inquiry:

“... one of the great debates was: is it [BBP3] a British plan or is it a coalition plan? And obviously with GOC MND(SE) saying, ‘Well, if it’s going to be mine, it’s going to have to be a multi-national plan’, the Consul General saying, ‘Well, hang on, we can’t clear this through the State Department, it will take forever’, what do you do? I think I’m right in saying 90, 95 percent of the money that was spent in Basra was American money. So if we wrote a British plan with five per cent of the money, well ...

“So how you wrote a plan was actually a ridiculously complicated thing, and we ended up ... with a sort of compromise where we’d shown it to the Americans and they sort of said, ‘Yes, this is more or less right’, but it was a British plan ... We would never have got a multi-national plan for the South through the American system.”<sup>414</sup>

**734.** A September 2008 review of the Basra PRT undertaken by the Stabilisation Unit, the successor to the PCRU, offered a view on the Better Basra planning process at this time:

“There is no [UK Government] wide strategy for Iraq ... Although the Better Basra Plans did go some way towards addressing this absence in 2006 and 2007, these evolved in an incremental bottom-up way, hampered by a lack of strategic guidance from Whitehall, and frequent change-over of personnel in theatre, and so eventually fell by the wayside during the course of 2007.”<sup>415</sup>

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<sup>414</sup> Public hearing, 24 June 2010, page 27.

<sup>415</sup> Report Stabilisation Unit, 3 September 2008, ‘Review of the Basra Provincial Reconstruction Team’.

**735.** Also on 2 March, Dr Marsden and Maj Gen Shaw wrote to Ms Aldred, in response to Sir Nigel Sheinwald's 25 January request for a note on civilian/military structures in Basra.<sup>416</sup> They advised that:

“The profile of the security concerns in southern Iraq should not obscure the fundamentally political nature of the end state we are pursuing. Military action must be supportive of the political and civilian lines of operation.”

**736.** Consistent with that assessment, the SISG, chaired by Dr Marsden, would oversee delivery of the strategic objectives identified in BBP3. The SISG would take strategic direction from and report to the ISG and the ISOG in London.

**737.** Maj Gen Shaw told the Inquiry:

“... I had inherited a situation where the military commander and the Consul General had joint ownership of the southern Iraq Steering Group.

“Well, I've always adhered to the principle that ... if you can't identify who is in charge, you are in trouble, and joint ownership strikes me as a recipe for disaster because you don't know who is in charge.

“I said to the Consul General [Dr Marsden], ‘Listen, this is a political problem, not a military one now. We're supporting you in achieving a political end state for Iraq. So you are in charge, I'm in support. What do you want me to do?’ ...”<sup>417</sup>

**738.** Dr Howells briefed Ministers on the finalisation of BBP3 and the process for implementing it at the 8 March meeting of DOP(I).<sup>418</sup> BBP3 would be circulated out of committee the following day for Ministers “to note”.

**739.** The 8 March meeting of DOP(I) also considered the deteriorating humanitarian situation in Iraq.<sup>419</sup> The Government's response to the humanitarian situation is addressed later in this Section.

**740.** A DFID official advised Mr Benn on 13 March that Mr Tinline (the Deputy Consul General) would “double-hat” as the PRT Team Leader from 1 April.<sup>420</sup> That should ensure better co-ordination between civilian and military elements. PCRU officials had covered the post since Mr Etherington's departure in January.

**741.** Mr Tinline told the Inquiry that, during his time in Iraq, the British Embassy Office Basra had an (international and local) staff of 100 and the PRT a staff of 30.<sup>421</sup>

<sup>416</sup> Letter Marsden and Shaw to Aldred, 2 March 2007, ‘The Comprehensive Approach: Application in southern Iraq’.

<sup>417</sup> Private hearing, 21 June 2010, pages 20-21.

<sup>418</sup> Minutes, 8 March 2007, DOP(I) meeting.

<sup>419</sup> Minutes, 8 March 2007, DOP(I) meeting.

<sup>420</sup> Minute DFID [junior official] to Private Secretary [DFID], 13 March 2007, ‘Iraq: Future of DFID's Presence and Programme in Basra’.

<sup>421</sup> Public hearing, 24 June 2010, page 106.

**742.** Mr Benn was also advised that the final component of DFID's IISP, the Basra water towers, should be completed in October; that would conclude DFID's direct infrastructure work.

**743.** Maysan transferred to PIC on 18 April. Maysan was the third province within MND(SE) to transfer, Muthanna and Dhi Qar having done so in July and September 2006 respectively. This left Basra as the only province for which the UK retained security responsibility.

**744.** Section 9.5 describes the UK's focus in early 2007 on encouraging the Iraqi Government to do more to promote reconciliation in Iraq, against a background of continuing sectarian violence. The UK saw a Hydrocarbons Law as one element of an effective reconciliation process.

**745.** Mr Richard Jones, Dr Marsden's successor as the British Consul General in Basra, reported on 19 April that "out of the blue", a demonstration against Governor Waili "throws open the political future of Basra".<sup>422</sup> Mr Jones assessed that the demonstration had been motivated in large part by "a straight power struggle" in Basra drawing on concerns over corruption, and in part by national politics.

**746.** Mr Robert Tinline, Acting Consul General in Basra, reported on 26 April that the ongoing power struggle in Basra, centred on Governor Waili, was diverting energy from other activity.<sup>423</sup> Several key meetings on development had been postponed. If the uncertainty dragged on, the UK would begin to lose momentum on key strands of work.

**747.** Mr Browne briefed Cabinet on 3 May that the political vacuum in Basra threatened to undermine UK efforts and the gains made by Op SINBAD.<sup>424</sup> Governor Waili was assailed on all sides and was ineffective. Militias were vying for political power.

**748.** On the same day, members of the international community gathered in Sharm el-Sheikh, Egypt, to launch the International Compact with Iraq.<sup>425</sup> It was formally launched by Prime Minister Maliki and UN Secretary-General Ban Ki-moon. The UN described the Compact as:

"... a five-year national plan that includes benchmarks and mutual commitments from both Iraq and the international community, all with the aim of helping Iraq on the path towards peace, sound governance and economic reconstruction."

**749.** At the launch, Mrs Beckett announced that the UK would spend at least an additional £100m on rebuilding Iraq.<sup>426</sup>

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<sup>422</sup> Letter Jones to Aldred, 19 April 2007, 'Basra: Weekly Report'.

<sup>423</sup> Letter Tinline to Aldred, 26 April 2007, 'Basra: Weekly Report'.

<sup>424</sup> Cabinet Conclusions, 3 May 2007.

<sup>425</sup> United Nations, 27 April 2007, *Fact Sheet on the International Compact with Iraq*.

<sup>426</sup> *BBC News*, 3 May 2007, *UK pledges extra £100m for Iraq*.



**750.** A DFID official advised Mr Benn that that commitment, added to the £544m pledged at the Madrid Donors Conference in October 2003 and the £100m announced by Mr Brown in November 2006 (when it had been thought the launch of the Compact was imminent), brought the UK's total "Iraq reconstruction pledge" to £744m.<sup>427</sup> £660m of that had already been spent and £730m was forecast to be spent by the end of 2008. The pledge therefore required only very modest expenditure on Iraq between the end of 2008 and 2012 (the end of the Compact period).

### The International Compact with Iraq, May 2007

The International Compact with Iraq was formally launched by Prime Minister Maliki and UN Secretary-General Ban Ki-moon on 3 May 2007.<sup>428</sup>

Preparatory work on the Compact began in early 2006. The UK hoped that the Compact would draw in international support (with the UN and World Bank at the centre) to help Iraq deliver its National Development Strategy.<sup>429</sup> Delivery of residual Madrid Donor Conference pledges and non-Paris Club debt relief would complement the Compact.

The UK progressively lowered its expectations. Mr McDonald reported to ISOG on 3 November 2006 that there was a "clash of objectives", with Iraq asking for funding and the international community requesting "evidence of progress".<sup>430</sup> ISOG agreed the UK should focus its effort on the period after the launch, to ensure "robust implementation".

Later that month, a DFID official advised Mr Benn that the Compact was likely to have "very little developmental value".<sup>431</sup> It did not reflect Iraq's slide into sectarian conflict, and Iraqi ownership of and commitment to reform was limited.

Deputy Prime Minister Barham Salih discussed the launch of the Compact with Sir Nigel Sheinwald on 12 April 2007.<sup>432</sup> Mr Salih requested the "UK's leadership" in urging Europe to commit resources to Iraq over the next four to five years. Sir Nigel agreed. Mr Salih also asked the UK to lobby European partners to agree to write off 100 percent of Iraqi debt.

Mr Blair was advised the following day that departments were considering what more the UK and other European countries could do, but that encouraging investment in the current security climate and in the absence of progress on the reconciliation agenda would be difficult.<sup>433</sup>

**751.** Mr Blair announced on 10 May that he was standing down as Leader of the Labour Party and would be resigning as Prime Minister on 27 June.<sup>434</sup>

<sup>427</sup> Minute Winterton to Private Secretary [DFID], 27 April 2007, 'Iraq: Compact launch and UK statement'.

<sup>428</sup> United Nations, 27 April 2007, *Fact Sheet on the International Compact with Iraq*.

<sup>429</sup> Minute Asquith to Private Secretary [FCO], 24 May 2006, 'Iraq: DOP-I: 24 May'.

<sup>430</sup> Minute Cabinet Office [junior official] to Sheinwald, 6 November 2006, 'Iraq Senior Officials Group'.

<sup>431</sup> Minute DFID [junior official] to Private Secretary [DFID], 13 November 2006, 'Iraq: briefing' attaching Paper DFID, November 2006, 'Iraq: International Compact'.

<sup>432</sup> Letter No.10 [junior official] to Hickey, 12 April 2007, 'Iraq: Nigel Sheinwald's conversation with Barham Saleh, 12 April'.

<sup>433</sup> Minute No.10 [junior official] to Prime Minister, 13 April 2007, 'Iraq Update, 13 April'.

<sup>434</sup> *BBC News*, 10 May 2007, *Blair will stand down on 27 June*.

**752.** Mr Jones reported on 23 May that he understood that the Iraqi Minister of Finance had instructed the Iraqi Central Bank to freeze all development funds in its Basra accounts until the conflict between Governor Waili and the Provincial Council had been resolved.<sup>435</sup> He had done so because Governor Waili had written to the Central Bank requesting that those funds be transferred from both his own and the Provincial Government's accounts to another, unspecified, bank account. The Provincial Council had protested. Mr Jones commented that the UK had been working for months to persuade Baghdad to provide the finance that Basra deserved for development work. The freeze was another incentive to resolve the political impasse as soon as possible.

**753.** Mr Jones also reported that:

“All of our contacts speak of deterioration in the security situation ... The electricity supply has also deteriorated ... The lack of power has stopped the electric water pumps from working. Potable water is scarce and 70 percent of the city is without a mains supply (worst affected are poorer areas such as the Shia flats).”

**754.** In his evidence to the Inquiry, Mr Jones characterised the poor relations between Prime Minister Maliki and Governor Waili, and between Governor Waili and the Provincial Council, as a challenge to UK engagement in Basra but not a constraint.<sup>436</sup>

**755.** On 12 May, Mr Brown's Principal Private Secretary commissioned advice for Mr Brown on how the UK might increase support for economic development and reconstruction in Iraq and, in particular, Basra.<sup>437</sup>

**756.** A Treasury official provided that advice on 24 May.<sup>438</sup> Economic growth and job creation had a vital part to play in building sustainable peace and stability and reconciling Iraq's divided communities. The three priorities which would do most to boost economic growth were:

- building on existing macroeconomic stability;
- improving the efficiency and effectiveness of the public sector; and
- expanding and improving the efficiency of the oil industry. That required a Hydrocarbons Law, improved security and an integrated energy strategy covering investment and reform.

**757.** The UK could also consider shorter-term initiatives (although those would become harder to implement after the drawdown of UK forces), including:

- further initiatives on the lines of Op SINBAD; and
- initiatives which aimed to revitalise Iraqi industry.

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<sup>435</sup> Letter Jones to Aldred, 23 May 2007, 'Basra: Weekly Report'.

<sup>436</sup> Public hearing, 24 June 2010, page 81.

<sup>437</sup> Email Treasury [junior official] to Treasury [junior official], 12 May 2007, 'Iraq – latest situation/economic development'.

<sup>438</sup> Paper Treasury, 24 May 2007, 'Economic Aspects of Stability in Iraq'.

**758.** The official also advised that there was a limit to the number of jobs that could be created in the short to medium term and that “whilst more jobs may help to divert some energies away from conflict, it will only be a small contributory factor to reducing the violence, whose root causes are multifaceted”.

**759.** Mr Brown and Mr Browne made a joint visit to Baghdad on 11 June and met a number of key individuals, including Prime Minister Maliki.<sup>439</sup> Mr Brown told Prime Minister Maliki that:

“... the UK was keen to support the Prime Minister on changes to the Constitution, new laws and reforms and economic infrastructure and support.”

### Responding to the displacement crisis

**760.** Sections 9.4 and 9.5 describe the sharp rise in sectarian violence after the bombing of the al-Askari mosque in Samarra in February 2006.

**761.** The International Organization for Migration (IOM) reported that the violence caused hundreds of thousands of families to flee their homes; displacement peaked in June 2006 when over 16,000 families fled their homes.<sup>440</sup>

**762.** A No.10 official sent Mr Blair a UN High Commissioner for Refugees (UNHCR) update on the situation on 1 December 2006.<sup>441</sup> UNHCR advised that approximately 425,000 Iraqi citizens had been internally displaced since the Samarra bombing. In total, there were at least 1.6m Iraqi citizens displaced within Iraq and between 1.6m and 1.8m Iraqi refugees in the region; there were also 50,000 refugees from other countries in Iraq. The needs of Internally Displaced People (IDPs), returnees, refugees and their host communities were “dramatic and to a large extent unmet”.

**763.** On 11 January 2007, the British Embassy Baghdad reported that UNHCR had launched an appeal for US\$60m to meet the humanitarian needs of Iraqi refugees and IDPs in 2007.<sup>442</sup> UNHCR estimated that, of the 1.7m IDPs in Iraq, one million had been displaced before 2003 and up to 490,000 since the Samarra bombing. Obtaining accurate figures was difficult as many IDPs were living with extended family or not registering with the Government. UNHCR expected that it would be difficult to raise funds from donors, given Iraq’s budget surplus.

**764.** At the 11 January meeting of DOP(I), Ministers commented that IDPs were “principally an Iraqi Government responsibility – it should address the violence and push forward reconciliation, and had the resources to address the needs of the displaced”.<sup>443</sup>

<sup>439</sup> Letter Bowler to Banner, 13 June 2007, ‘The Chancellor and Defence Secretary’s Visit to Baghdad’.

<sup>440</sup> International Organization for Migration, [undated], *Iraq Displacement 2007 Year in Review*.

<sup>441</sup> Minute Banner to Prime Minister, 1 December 2006, ‘Iraq Update, 1 December’ attaching Paper, [undated], ‘UNHCR Update on the Iraq Situation’.

<sup>442</sup> eGram 1267/07 Baghdad to FCO London, 11 January 2007, ‘Iraq: Update on the Situation with Internally Displaced People’.

<sup>443</sup> Minutes, 11 January 2007, DOP(I) meeting.

**765.** Mr Dinham, who attended the DOP(I) meeting, reported to DFID colleagues that Mr Benn had said that he would be urging the UN to use unspent donor funds to meet the UNHCR appeal.<sup>444</sup> Mr Browne had favoured pressing the Iraqi Government to contribute to the UNHCR appeal; this was a problem for which the Iraqi Government was responsible and there was no shortage of Iraqi money.

**766.** The 11 January report from the British Embassy Baghdad was passed to Mr Blair on 12 January.<sup>445</sup> A No.10 official commented on the report: “We are encouraging the Gol [Iraqi Government] to get its act together, given that these are its citizens.”

**767.** Mr Benn wrote to Mr Blair on 24 January, providing an update on the humanitarian situation in Iraq:

“Displacement is causing a de facto geographical separation along sectarian lines, as different ethnic groups move to areas in which they will be the majority.

“There is clearly a strong political dynamic to the situation and it is essential that we address both the cause and the symptoms ... We should press the Iraqi Government to address displacement issues as part of reconciliation, and to do more itself to provide basic services to meet humanitarian needs. The picture is unpalatable for the Iraqi government ... and indeed for the coalition (hence the largely silent nature of the humanitarian crisis so far) ...

“It is clear that while not letting the Iraqi Government off the hook, we must also continue to respond to humanitarian needs in Iraq ...”<sup>446</sup>

**768.** Mr Benn advised that he had therefore decided to contribute £4m to the International Committee of the Red Cross (ICRC).

**769.** On 23 February, a No.10 official advised Mr Blair that there had been little improvement in the humanitarian situation, and that the Iraqi Government remained “largely silent” on the issue.<sup>447</sup> The Iraqi Ministry of Displacement and Migration was trying to help but it had little capacity to respond; its budget was “woefully inadequate”. Meanwhile, the international community was stepping up its response. DFID continued to look at ways of unlocking unspent donor funding.

**770.** The 8 March meeting of DOP(I) returned to the issue of the humanitarian situation in Iraq.<sup>448</sup>

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<sup>444</sup> Email Dinham to DFID [junior official], 11 January 2007, ‘DOP(I)’.

<sup>445</sup> Minute Banner to Blair, 12 January 2007, ‘Iraq Update, 12 December [sic]’.

<sup>446</sup> Letter Benn to Blair, 24 January 2007, [untitled].

<sup>447</sup> Minute Fletcher to Prime Minister, 23 February 2007, ‘Iraq Update, 23 February’ attaching Paper DFID, 22 February 2007, ‘Iraq: Reconstruction Update’.

<sup>448</sup> Minutes, 8 March 2007, DOP(I) meeting.

**771.** In a briefing paper for the meeting, DFID reported that the number of people displaced since the Samarra bombing had risen to 650,000.<sup>449</sup> UNHCR estimated that the total number of IDPs in Iraq could rise to 2.3m by the end of 2007. The number of Iraqi refugees in the region had risen from 1.8m to over 2m.

**772.** The trend was of “increasing polarisation” along sectarian and geographical lines, which would have a considerable impact on the political landscape and made a national response more complex. In contrast to previous displacements, the moves were permanent.

**773.** In Iraq, security had compromised delivery mechanisms, and weak Iraqi public services had not been able to keep up with demand. The Iraqi Government had failed to recognise that this was a strategic issue with long-term political consequences. There was an increasing risk that militias were being seen by Iraqi communities as guarantors of local security. The UK’s objective remained to build Iraqi capacity to provide security and basic services; however:

“It will take years for Iraq to undertake the necessary reforms and develop the systems for effective service delivery. There is therefore a humanitarian imperative for the international community to assist in the short term.”

**774.** DFID stated that it would contribute a further £5m to humanitarian relief operations in Iraq and the region (bringing DFID’s total contribution to the crisis for 2007 to £9m).

**775.** Other major contributions were:

- Japan had pledged US\$104m;
- the EC had pledged €20m; and
- the US had pledged US\$23m.

**776.** Introducing the DFID paper at the DOP(I) meeting, Mr Benn said that Prime Minister Maliki remained more focused on security and his own political concerns, but the UK continued to push the Iraqi Government to allocate adequate resources to the problem.<sup>450</sup>

**777.** The DOP(I) meeting concluded that the UK should lobby the Iraqi Government, UN, ICRC and the IOM to step up their actions to address the crisis.

**778.** DFID made further contributions to the international humanitarian response later in March and in November, bringing the UK’s total contribution for 2007 to £15m.<sup>451</sup>

**779.** On 18 April, a No.10 official advised Mr Blair that the UN assessed that the refugee and IDP situation was becoming more acute.<sup>452</sup> The Iraqi Government had pledged

<sup>449</sup> Paper DFID, 7 March 2007, ‘The Humanitarian Situation in Iraq’.

<sup>450</sup> Minutes, 8 March 2007, DOP(I) meeting.

<sup>451</sup> Paper DFID, 4 November 2009, ‘Iraq – DFID Timeline and Financial Commitments: 2003 – 2009’.

<sup>452</sup> Minute Phillipson to Prime Minister, 18 April 2007, ‘VTC with President Bush – 1800 18 April’.

US\$25m to the UN, but that amount was “fairly minimal, given the resources required, and that it has primary responsibility for the well-being of Iraq’s citizens”.

**780.** The IOM’s review of displacement in Iraq in 2007 reported that displacement had slowed over the course of the year, due to improved security in some areas and the “sectarian homogenization” of previously mixed neighbourhoods: “in other words, there were fewer and fewer people to force out”.<sup>453</sup> Conditions continued to deteriorate for the 2.4m IDPs in Iraq.

**781.** On 12 March 2008, a DFID official advised Mr Douglas Alexander, who had succeeded Mr Benn as International Development Secretary, that the UN estimated that there were now 2.2m IDPs in Iraq.<sup>454</sup> The Iraqi Government had recently announced a US\$40m contribution to the UN’s US\$265m Consolidated Appeal (which had been launched in February), but was doing little to support vulnerable people inside Iraq.

**782.** DFID contributed a further £29m to the international humanitarian response in 2008.<sup>455</sup>

**783.** A study by The Brookings Institution-University of Bern Project on Internal Displacement, published in December 2008, suggested that smaller minority groups in Iraq comprised a disproportionately large percentage of displaced people, due to the harassment they had experienced after 2003.<sup>456</sup> The study offered a comparison of the estimated numbers of minority groups in Iraq in 2003 and 2008:

Table 1: Displacement of minority groups within Iraq

Group	2003	2008
Christians	1.0 to 1.4m	600,000 to 800,000
Jews	A few hundred	10 to 15
Mandaeans	30,000	Fewer than 13,000
Palestinians	35,000	15,000
Turkomans	800,000 claimed	As low as 200,000
Yazidis	Not known	About 550,000

<sup>453</sup> International Organization for Migration, [undated], *Iraq Displacement 2007 Year in Review*.

<sup>454</sup> Minute DFID [junior official] to PS/Secretary of State [DFID], 12 March 2008, ‘Iraq: Humanitarian Assistance’.

<sup>455</sup> Paper DFID, 4 November 2009, ‘Iraq – DFID Timeline and Financial Commitments: 2003 – 2009’.

<sup>456</sup> The Brookings Institution-University of Bern Project on Internal Displacement, December 2008, *Minorities, Displacement and Iraq’s Future*.

## Reconstruction under Mr Gordon Brown's Premiership

**784.** Mr Gordon Brown took office as Prime Minister on 27 June 2007. He appointed Mr Douglas Alexander as Development Secretary, replacing Mr Benn, and Mr David Miliband as Foreign Secretary, replacing Mrs Beckett. Mr Des Browne remained Defence Secretary.

**785.** The most pressing issues facing the UK in Iraq remained the timing of the withdrawal of UK forces from Basra Palace, and Basra's transition to PIC (see Section 9.6).

**786.** The introductory briefing produced by DFID officials for Mr Alexander described Iraq as a wealthy country (with oil revenues of US\$37bn in the current year) which was unable to spend or manage its resources effectively to deliver public services because of poor security, poor political leadership and a lack of technical ability.<sup>457</sup>

**787.** DFID's priority was to build the capacity of the Iraqi Government to deliver public services, by providing high-level policy and technical advice in Baghdad on economic reform. DFID was also looking at options to provide further support for reconciliation, and providing humanitarian assistance to the four million people displaced in Iraq and neighbouring countries.

**788.** In Basra, DFID's power and water infrastructure programmes would end in late 2007, having delivered improved access to water for over one million people and added or secured enough power to provide 700,000 people with 24-hour electricity.

**789.** DFID was also seeking to promote economic growth and private sector investment in Basra by supporting:

- the creation of a Basra Development Commission (BDC);
- the creation of a Basra Investment Promotion Agency (BIPA);
- the creation of a Basra Development Fund; and
- those institutions' priorities, including a Basra Economic Development Strategy, investor visits and youth employment initiatives.

**790.** Mr Alexander's briefing for a trilateral meeting with Mr Miliband and Mr Browne in early July highlighted the constraints on reconstruction, including the politicisation of ministries and deteriorating security:

“The Ministry of Finance does not function effectively and is subject, like many Ministries, to partisan control. Combined with an almost total lack of transparency, the Ministry is able to withhold funding to certain ministries.

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<sup>457</sup> Paper DFID, [undated], 'Iraq: Briefing for New Ministers, June 2007'.

“We are increasingly unable to visit key ministries in Baghdad ... We need to be realistic about what is achievable.”<sup>458</sup>

**791.** The briefing also stated that DFID’s budget for Iraq for 2007/08 was £30m, down from £45m in 2006/07. Officials anticipated a “further tapering” over the next few years, although that had not yet been announced.

**792.** Mr Brown spoke to Prime Minister Maliki on 5 July.<sup>459</sup> On Basra, Prime Minister Maliki said that he hoped it would be possible to reduce the burden on UK forces and for Iraqi forces to take the lead within three months.

**793.** Mr Brown said that he would like to discuss the scope for economic initiatives, and promised to send suggestions in the next few days. No.10 asked DFID for a draft letter for Mr Brown to send to Prime Minister Maliki “setting out draft proposals for an economic initiative”.

**794.** Mr Brown discussed Iraq with President Bush by video link on 9 July.<sup>460</sup> Mr Brown commented that the Iraqi Government was making slow progress. Faster action was needed on the Hydrocarbons Law and on “democratisation”.

**795.** In an interview on the *BBC’s Today Programme* on 11 July, Mr Brown described the UK’s strategy in Iraq as:

- establishing security;
- promoting reconciliation; and
- “to get people, and this is often forgotten, a stake in the future by helping the economic development of Iraq”.<sup>461</sup>

**796.** Mr Brown continued:

“... I think one of the failures at the beginning was that we didn’t put the resources and the help in to economic reconstruction that was necessary ... we can do a lot better in the future.”

**797.** Mr Brown said that as the UK moved from a combat role to overwatch, it would bring in the resources that were necessary for economic development.

**798.** The Overseas and Defence Sub-Committee of the Committee on National Security, International Relations and Defence (NSID(OD)), the successor to DOP(I) as the principal forum for Ministerial discussion on Iraq, was scheduled to meet for the first time on 19 July to discuss transition in Basra.

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<sup>458</sup> Minute DFID [junior official] to PS/Secretary of State [DFID], 29 June 2007, ‘Iraq: Briefing for DFID/FCO/MOD Ministerial Trilateral’ attaching Paper DFID, [undated], ‘DFID/FCO/MOD Ministerial Trilateral on Iraq and Afghanistan’.

<sup>459</sup> Letter Banner to Hickey, 5 July 2007, ‘Conversation with Iraqi Prime Minister’.

<sup>460</sup> Letter Henderson to Hayes, 9 July 2007, ‘Iraq/Afghanistan: Prime Minister’s VTC with President Bush’.

<sup>461</sup> *BBC Radio 4*, 11 July 2007, *Today Programme*.



**799.** In advance of the meeting, FCO and MOD officials produced a joint paper setting out the latest “assessments and plans on security transition and the associated re-posturing and drawdown of UK troops in Basra” (see Section 9.6).<sup>462</sup>

**800.** The FCO and MOD assessed that the UK had achieved “only some” of its objectives in Iraq. Iraq had “the forms of democracy” but the constituent parts of the Iraqi Government were not working together to a genuine national unity agenda and there was no commitment to reconciliation. In that context, the paper reported that:

“Ministers treat their Ministries as party and personal fiefdoms, sources of funds and patronage. The writ of central Government runs weakly outside the Baghdad International Zone.”

**801.** The FCO and MOD set out the process by which judgements were reached (by MNF commanders and Prime Minister Maliki) on whether provinces were ready for PIC, and an assessment of Basra’s progress against the four PIC conditions (security conditions and threat levels, ISF capacity, the Governor’s capacity to take responsibility for security, and the coalition’s ability to re-intervene if necessary). The UK was also monitoring progress against an additional condition, which it judged to be important:

“capability of the provincial authorities to direct reconstruction, and to spend their budgets wisely and accountably”.

**802.** The last UK military base in Basra city was the Basra Palace Compound (BPC), which the paper described as “the most heavily mortared and rocketed place in Iraq”. The UK planned to hand over the BPC to the Iraqi authorities, and withdraw UK troops based there to Basra Air Station (BAS), on 31 August. That would represent the “de facto handover of responsibility” to the Iraqi authorities, as UK forces would only be able to intervene from BAS “in extremis”.

**803.** PIC should take place as soon after the handover of the BPC as possible: a long gap would place the UK in a difficult position, “responsible for security in Basra city, but unable to deliver it except at high risk”.

**804.** The FCO and MOD advised that the UK should stick to its transition strategy, including PIC in Basra in the autumn.

**805.** Looking ahead to Basra after PIC, the FCO and MOD advised:

“Our planning should assume that the UK civilian presence in Basra will have to be wound up shortly before the removal of the UK military envelope which enables it to operate (though if the US were to decide to move a military presence of their own to Basra Air Station, and to retain a US civilian presence, we could expect US pressure for us to maintain some sort of ongoing commitment to the Basra Provincial Reconstruction Team).”

<sup>462</sup> Paper FCO/MOD, 12 July 2007, ‘Iraq: Transition in Basra’.

**806.** The FCO and MOD argued for “a long-term UK commitment in Iraq”, which would include influencing the Iraqi Government and supporting the long-term development of its capacity, in particular through the provision of advice to ministries in Baghdad.

**807.** The 19 July meeting of NSID(OD) was cancelled and not reinstated.<sup>463</sup>

**808.** On 11 July, a DFID official sent Mr Simon McDonald, Mr Brown’s Foreign Policy Adviser, a draft letter for Mr Brown to send to Prime Minister Maliki.<sup>464</sup>

**809.** The draft letter reflected guidance from Mr Alexander that the UK should be realistic about the role of economic reform and only propose initiatives that had a good chance of being realised.<sup>465</sup>

**810.** Mr McDonald passed the draft letter to Mr Brown on 27 July, after consulting the FCO and the British Embassy Baghdad.<sup>466</sup> Mr McDonald commented that the approach set out in the draft letter was:

“... sensible and realistic but not particularly ambitious ... But the Embassy argue that, taking into account the security situation and the lack of political will ... this is as much as we would be able to get Maliki to consider.”

**811.** Mr Brown wrote to Prime Minister Maliki on 29 July.<sup>467</sup> While establishing security remained the “abiding priority”, it was vital that people were given a stake in their future. Mr Brown suggested that the UK could help the Iraqi Government to:

- secure a new IMF Stand By Arrangement by the end of 2007;
- develop an integrated energy strategy, alongside the World Bank;
- reform the banking sector, also alongside the World Bank;
- strengthen financial management, by continuing to fund an economic reform team; and
- establish the BIPA to identify and promote investment opportunities throughout the province. The UK had allocated funds to help establish the Agency. If successful, it could be replicated in other Provinces and inform the creation of a National Investment Commission.

**812.** Mr Brown told the Inquiry:

“... if you can show people that their economic prosperity is possible, then the risks of returning to violence are seen by people to be too great to put at risk something that they were now about to enjoy. So I wanted to show in Basra ... that the chance

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<sup>463</sup> Minute Cabinet Office to NSID(OD) members, 11 February 2010 [sic], ‘Ministerial Meeting on Iraq, Cancellation Note’.

<sup>464</sup> Letter DFID [junior official] to McDonald, 11 July 2007, ‘Iraq: Prime Minister’s Economic Initiative’.

<sup>465</sup> Minute DFID [junior official] to PS [Alexander], 11 July 2007, ‘Iraq: ‘Economic Initiative’ – Prime Minister’s Letter to Prime Minister Maliki’.

<sup>466</sup> Minute McDonald to Prime Minister, 27 July 2007, ‘Iraq: Economic Initiative’.

<sup>467</sup> Letter Brown to Maliki, 29 July 2007, [untitled].

of prosperity was something that people should value and should not put at risk by allowing the militias to have control in the area.”<sup>468</sup>

**813.** Mr Brown discussed Iraq with President Bush at Camp David on 30 July.<sup>469</sup> The meeting note produced by Mr Brown’s Private Secretary recorded only that Mr Brown welcomed the common ground between himself and President Bush on Iraq and had outlined the UK’s proposals for a “development agency” in Basra.

**814.** Mr Asquith called on Prime Minister Maliki on 1 August, to deliver Mr Brown’s 29 July letter on economic reconstruction and to discuss politics in Basra and nationally.<sup>470</sup>

**815.** Mr Asquith reported that Prime Minister Maliki warmly welcomed Mr Brown’s letter, which was in line with his desire to deepen co-operation with the UK on issues other than security and with his own Government’s focus on economic development. Prime Minister Maliki said that he would approve a request from the Basra Provincial Council to establish the BIPA.

**816.** Prime Minister Maliki said that he was also interested in bigger projects in the Basra region which were national in scope such as the Grand Port project in the oil sector, which would attract large-scale international investment.

**817.** Prime Minister Maliki also advised that the “troublesome” Governor Waili had been legally dismissed but was appealing that decision, causing a delay in his removal.

**818.** Mr Jones’ weekly report of the same day advised that the Deputy Prime Minister’s Office had identified bringing Basra International Airport up to international standards as its top economic priority in the province, and had requested UK advice on how to achieve that.<sup>471</sup> Mr Jones was pursuing the issue with the RAF and the US.

**819.** Prime Minister Maliki replied to Mr Brown’s letter on 7 October.

**820.** Jaysh al-Mahdi (JAM) in Basra called a month-long cease-fire, beginning on 13 August.<sup>472</sup> Sir John Scarlett, Chief of SIS, told the Inquiry that:

“... the cease-fire for a month on 13 August worked straight away. There was an immediate falling away of attacks, and it then carried on. It went beyond the month and it became effectively a permanent feature. So it was remarkably successful.”

<sup>468</sup> Public hearing, 5 March 2010, pages 38-39.

<sup>469</sup> Letter Clunes to Gould, 31 July 2007, ‘Prime Minister’s Meeting with President Bush: Iraq [...]’.

<sup>470</sup> eGram 32637/07 Baghdad to FCO London, 1 August 2007, ‘Iraq: Meeting with Prime Minister Maliki, 1 August’.

<sup>471</sup> Letter Jones to Aldred, 1 August 2007, ‘Basra: Weekly Report’.

<sup>472</sup> Private hearing, 10 June 2006, page 41.

**821.** Mr Jon Day, MOD Director General (Security Policy), told the Inquiry that the cease-fire not only brought a reduction in attacks on coalition forces in Basra:

“But the critical strategic dividend, as far as we were concerned, was that the overall decline in violence helped encourage the resurgence of real political activity ...

“Another consequence, which ... was felt to be quite important by those on the ground at the time ... is that prior to the understandings, coalition-sponsored reconstruction work in Basra had almost come to a stop. The understandings reduced the threat to military and civilian workers and that allowed work on projects such as the Basra Children’s Hospital to start up again and to enable us to plan to do more work elsewhere in Basra.”<sup>473</sup>

**822.** Section 9.6 describes negotiations between the UK and JAM1.

**823.** Mr Asquith’s 16 August valedictory letter to Mr Miliband focused on security and the political process, but also reflected on the UK’s role in reconstruction:

“Outside the military contribution, our favoured route has been through providing expertise. That will remain necessary, but insufficient. The Iraqis prize lasting legacies ... We should consider with an open mind taking a leaf out of the Japanese book, making use of some of the savings on the defence side to establish a joint or soft loan financial development fund for specific projects in the education or health sectors. Easier, and more realistic, would be to establish a large trust fund for a permanent scholarship scheme to supplement Chevening. Or we should switch our ... focus to an area where we can operate – namely the Kurdish region which we have consistently and puzzlingly ignored.”<sup>474</sup>

**824.** UK troops were withdrawn from the BPC to BAS on 2 and 3 September.<sup>475</sup>

**825.** DFID advised No.10 on 5 September that since Mr Brown’s 29 July letter to Prime Minister Maliki, there had been slow but sure progress on Mr Brown’s economic initiative.<sup>476</sup> With the support of the PRT and DFID, the Basra Provincial Council had:

- Agreed a new Provincial Development Strategy. The flow of funds from Baghdad was also starting to increase.
- Agreed with the central Government the “broad shape and purpose” of BIPA, which would be to identify investment opportunities, provide advice to business and government, and implement programmes to stimulate private sector development. The UK was also helping the Council to take forward plans for the physical establishment of the BIPA.

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<sup>473</sup> Public hearing, 6 January 2010, pages 35-36.

<sup>474</sup> Letter Asquith to Miliband, 16 August 2007, ‘Iraq: Valedictory’.

<sup>475</sup> Minute Binns to CJO, 6 September 2007, ‘GOC HQ MND(SE) – southern Iraq Update – 6 September 2007’.

<sup>476</sup> Paper DFID, 5 September 2007, ‘Basra – Economic Initiative Progress Report’.

- Agreed to establish and fund the Basra Development Fund, which would provide investment and credit for small and medium sized enterprises.
- Begun work on an investment plan and budget to upgrade Basra International Airport, using Iraqi funds, to meet international standards.

**826.** At the national level, the Iraqi Government was establishing a National Investment Commission and had announced its intention to set up a National Development Fund to provide loans to small enterprises across the country.

**827.** General Richard Dannatt, Chief of the General Staff, visited Baghdad and Basra from 5 to 7 September.<sup>477</sup> He reported that the situation in Basra was “tentatively quiet”. There was probably only a very narrow window of opportunity to reinforce the success that had been achieved on the ground; the emphasis had to shift away from the military line of operation:

“... sustainability ... will only be possible if we now begin to deliver some results on the ground in terms of reconstruction and development. This effort cannot be delivered by the Army – the FCO and DFID must now be prepared to rapidly increase their overall effort, not draw it down ...

“Perhaps it is even time to consider whether we should be pushing the FCO or DFID into a more leading role?”

**828.** Mr Brown and Mr Miliband, accompanied by ACM Stirrup and officials, met General David Petraeus, Commanding General MNF-I, and US Ambassador Ryan Crocker<sup>478</sup> on 18 September.<sup>479</sup> The discussion focused on PIC in Basra.

**829.** Mr Brown said that economic development of the South remained a major UK priority. Gen Petraeus said there were a number of initiatives on which the UK should engage, including the clearance of Basra port.

**830.** At the end of the discussion, Mr Brown highlighted three areas for follow up:

- further discussion, including with the Iraqis, of the timeframe for Basra PIC;
- an enhanced UK effort on economic development, including the Basra port; and
- further US/UK discussion of long-term force requirements.

**831.** Mr Brown visited Iraq on 2 October.<sup>480</sup> The objectives for the trip were to underline:

- the UK’s commitment to Iraq;
- the importance of building on progress on security by making a decision soon to transfer to PIC in Basra;

<sup>477</sup> Minute Dannatt to CDS, 10 September 2007, ‘CGS Visit to Iraq 5-7 Oct’.

<sup>478</sup> Ambassador Crocker took up post as the US Ambassador to Iraq in March 2007.

<sup>479</sup> Letter Fletcher to Gould, 18 September 2007, ‘Prime Minister’s Meeting with General Petraeus and Ambassador Ryan Crocker, 18 September’.

<sup>480</sup> Letter Fletcher to Forber, 3 October 2007, ‘Prime Minister’s Visit to Iraq, 2 October’.

- the need for progress on reconciliation; and
- the need for economic progress and service delivery as a strategic priority.<sup>481</sup>

**832.** DFID's briefing for the visit stated that the UK's approach was to help build Iraq's capacity to use its own resources effectively.<sup>482</sup> DFID was therefore proposing a "three part development 'package'", in addition to its water and power projects in the South and capacity-building work in Baghdad. This comprised:

- An additional £5m in response to the humanitarian crisis in Iraq and the region, bringing the total DFID contribution in 2007/08 to £15m.
- Support for a number of initiatives designed to promote public and private investment in Basra including:
  - support to establish the BIPA and the Basra Development Fund;
  - support to develop Basra International Airport. The PRT, MND(SE) and Basra Council had produced a US\$40m plan to upgrade the airport to international standards; the UK was working to secure that funding from central Government; and
  - the promotion of free trade between Basra and Kuwait.

Those initiatives, together worth over £10m, would be implemented through the Basra PRT.

- Continuing efforts to "leverage in" funding for Basra from central Government. The 2007 budget was expected to include over US\$300m for investment in Basra.

**833.** DFID was also working with MND(SE), other major donors and central Government to accelerate the renovation of Umm Qasr port. DFID had successfully lobbied central government to approve over US\$250m in soft loans from the Japanese Government for port renovation.

**834.** During his meeting with Mr Brown, Prime Minister Maliki said that 2008 would be the "year of reconstruction".<sup>483</sup> It was good that the UK was ready to play a greater role on reconstruction. Mr Brown said that Basra should receive adequate resources from central Government, and identified the Basra Investment Forum as an important opportunity to promote economic regeneration.

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<sup>481</sup> Minute Cabinet Office [junior official] to Brown, 1 October 2007, 'Iraq Visit: 2 October 2007'.

<sup>482</sup> Paper DFID, September 2007, 'UK Development Package for Iraq'.

<sup>483</sup> Letter Fletcher to Forber, 3 October 2007, 'Prime Minister's Visit to Iraq, 2 October'.

**835.** After Mr Brown returned from Iraq, his Private Secretary commissioned advice from the Cabinet Office on:

- how best to support a Basra Investment Forum;
- securing greater UK resources for the effort on reconstruction and economic development;
- whether the UK should do more to support the clear-up of Umm Qasr port;
- how best to maximise pressure on Iraqi political leaders; and
- how the UK could offer troops in theatre better access to the internet.<sup>484</sup>

**836.** Ms Kathleen Reid, Head of the DFID Office in Basra from August 2007 to September 2008, reflected on the impact of Mr Brown’s visit in her evidence to the Inquiry:

“When he [Mr Brown] came in October 2007, to be honest, we were doing quite a few of those things, or struggling away at trying to do a lot of those economic things. Things like the Basra Investment Promotion Agency was something we would have been working on well before he came and visited. Likewise trying to establish the Basra Development Fund, some discussions around Iraq/Kuwait borders. But ... there just wasn’t necessarily the environment to be able to do that or the impetus behind it, and I think he came and gave far more impetus to that. We put more resources towards it, and ... with the ... changing security in the following months, it gave more opportunity to then really deliver some results on the ground.”<sup>485</sup>

**837.** Ms Reid also told the Inquiry:

“Each successive visit from Ministers, from Prime Ministers ... gave us more clarity, certainly in terms of timelines.

“When I arrived [in August 2007], there was no real sense of [whether] the PRT was going to be there for another six months or four years, and that became much clearer as time went on and allowed us to do, on the civilian side, our planning.”<sup>486</sup>

**838.** Prime Minister Maliki replied to Mr Brown’s letter of 29 July on 7 October.<sup>487</sup> He welcomed the UK’s interest in supporting private sector development in Iraq and expressed particular interest in working with the UK in the oil sector, and specifically on infrastructure repairs, installation development, and the development of an integrated energy strategy.

**839.** NSID(OD) met for the first time on 8 October.<sup>488</sup>

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<sup>484</sup> Letter Fletcher to Forber, 3 October 2007, ‘Prime Minister’s Visit to Iraq, 2 October’.

<sup>485</sup> Public hearing, 24 June 2010, pages 13-14.

<sup>486</sup> Public hearing, 24 June 2010, page 13.

<sup>487</sup> Letter Maliki to Brown, 7 October 2007, [untitled].

<sup>488</sup> Minute Cabinet Office [junior official] to Prime Minister, 5 October 2007, ‘NSID(OD) Iraq Meeting – Steering Brief: Monday 8 October 09:30’.

**840.** At the meeting, Mr Brown said that there had been little progress on political reconciliation but economic reconstruction in Basra was making better progress, largely as a result of the improved security environment.<sup>489</sup>

**841.** According to Sir John Scarlett's own account of the meeting, Mr Brown:

“... spoke very strongly on the ceasefire in Basra and the dramatic improvement in the security situation. This represented a huge opportunity.”<sup>490</sup>

**842.** On the afternoon of 8 October, Mr Brown told the House of Commons that the UK expected to establish PIC in Basra in the next two months.<sup>491</sup> The UK planned to reduce the number of UK troops in southern Iraq from spring 2008 to around 2,500.

**843.** Initial guidance on a new format and process for producing DFID Country Assistance Plans (CAPs) was circulated to DFID officials on 11 October.<sup>492</sup>

**844.** Ms Barbara Hendrie, DFID Deputy Director Iraq, wrote to DFID Heads of Department on the same day:

“We have only ever had a ‘rough and ready’ version of an I-CAP [Interim Country Assistance Plan] for the Iraq programme, which is now well out of date. Minouche [Dr Shafik] asked the team this summer to think of producing a ‘very light touch’ CAP, as the programme is over £20m. We’ve been in the process of looking at the CAP guidance and trying to adapt it to the Iraq context (not easy!)”<sup>493</sup>

“Hence, the revisions to the CAP process are very welcome ...”

**845.** The following day, Ms Hendrie wrote to a junior DFID official:

“It seems pretty clear that we’re going to need to do some form of strategy document/CAP ... it would be great ... for you to hold the pen on this.”<sup>494</sup>

**846.** The Inquiry has seen no indications that work on a new CAP was taken forward.

**847.** DFID told the Inquiry that the I-CAP produced in February 2004 was not superseded until February 2011, when DFID Iraq published its ‘Operational Plan 2011-2012’.<sup>495</sup> DFID closed its Iraq programme in March 2012.

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<sup>489</sup> Minutes, 8 October 2007, NSID(OD) meeting.

<sup>490</sup> Email C, 9 October 2007, ‘Iraq NSID 8 Oct 2007’ attaching ‘NSID Iraq – 8 October 2007’.

<sup>491</sup> House of Commons, *Official Report*, 8 October 2007, columns 21-25.

<sup>492</sup> Email DFID [junior official] to DFID Heads of Department, 11 October 2007, ‘For Information: New CAP Format and Process’.

<sup>493</sup> Email Hendrie to DFID [junior official], 11 October 2007, ‘Action Monday 15 Oct: New CAP format and process’.

<sup>494</sup> Email Hendrie to DFID [junior official], 12 October 2007, ‘Action Monday 15 Oct: New CAP format and process’.

<sup>495</sup> Email DFID [junior official] to Iraq Inquiry [junior official], 12 October 2012, ‘New Queries from the Inquiry’ attaching Paper DFID, February 2011, ‘Operational Plan 2011-2012’.



**848.** DFID also told the Inquiry that it decided not to revise the I-CAP because of:

- the consistency in DFID “strategic priorities” and funding between 2005 and 2007;
- the high turnover of Heads of DFID Baghdad; and
- from 2007, DFID’s move away from producing published CAPs (under Mr Douglas Alexander).

**849.** A Cabinet Office official advised Mr Brown on 12 October that Governor Waili’s appeal against his dismissal from post had been successful.<sup>496</sup> The UK planned to “resume low-key co-operation with him in the interests of moving beyond the political stand-off in Basra” while the Iraqi Government took other steps towards his dismissal. The security situation in Basra remained “relatively calm”.

**850.** Major General Graham Binns, GOC MND(SE), reported on 18 October that Gen Petraeus had agreed Lt Gen Odierno’s recommendation of PIC for Basra in December.<sup>497</sup>

**851.** In a message to the FCO in London on 23 October, Mr Christopher Prentice, British Ambassador to Iraq, set out some of the implications of Mr Brown’s 8 October statement.<sup>498</sup>

**852.** Mr Prentice argued that given the UK’s strategic interests and the scale and cost of its commitment to Iraq so far, “we [the UK] need to accept now that we are in this for some years to come”.

**853.** The UK would be judged by the progress Basra made following PIC. By the end of 2008, key Basra economic initiatives would only just have started and would need continuing UK support. There was also a case for the UK “planning a last high profile project as visible proof for Basrawis of our continuing support and as a lasting UK legacy”.

**854.** Mr Prentice reported that the UK was already increasing its emphasis on the “civilian development agenda”. In the longer term, DFID “understandably wish to normalise its role in a wealthy oil-producing country i.e. close its programme”. It would be right to do so – but only when the “whole Iraq project” was on track. Unless the UK was “surprised by success”, 2009 was likely to be too early to begin to close the programme.

**855.** The conditions might be favourable by 2009 to re-establish a UK Trade and Industry presence in Basra “to pursue the huge commercial opportunities there will eventually be there”.

<sup>496</sup> Minute Cabinet Office [junior official] to Prime Minister, 12 October 2007, ‘Iraq – Weekly Update’.

<sup>497</sup> Report Binns, 18 October 2007, ‘GOC HQ MND(SE) – southern Iraq Update – 18 October 2007’.

<sup>498</sup> eGram 43230/07 Baghdad to FCO London, 23 October 2007, ‘Iraq 2009 and Beyond – Unfinished Business’.

**856.** Mr Browne visited Iraq between 29 October and 2 November.<sup>499</sup> He reported to Mr Brown that it had been “markedly the most encouraging of my seven visits to Basra”. He continued:

“So progress there has been, but, as you well know, the space we have achieved is fragile and temporary. We have a window of opportunity in Basra and it is vital that both we and the Iraqis apply political and economic leadership to make the most of it.”

**857.** Mr Browne had impressed upon everyone he met in Iraq the need to announce “a detailed economic plan for Basra” to coincide with PIC in December.

**858.** Mr Browne concluded: “If we are to deliver, and we must, this will need dedicated and energetic UK resource in London, Basra and Baghdad.”

**859.** Mr Browne’s visit prompted Maj Gen Binns to evaluate progress made since the summer.<sup>500</sup> His 1 November weekly report advised that:

“We are now subject to far fewer attacks, are constructively engaged with the Governor ... and the Provincial Council, we transit through Basra in force ... without opposition ... and are looking to make more of the large amount of reconstruction work we are responsible for (through US resources) in Basra through good information and media operations.”

**860.** Mr Alexander sent Mr Brown an update on the Basra economic initiatives on 9 November.<sup>501</sup>

**861.** Mr Alexander advised that DFID had identified several UK business leaders willing to help drive forward the work of the BDC, including Mr Michael Wareing, International CEO of KPMG. The BDC (which Mr Alexander described as the “centrepiece” of the Basra economic initiatives) would bring together national, regional and international business knowledge to provide strategic advice to the Iraqi authorities on investment and growth for Basra’s economy. DFID was planning a launch event for the BDC to coincide with PIC in Basra.

**862.** Mr Alexander agreed with Mr Browne’s assessment (in his 2 November letter to Mr Brown) that dedicated UK resources were required to move the economic initiatives forward. DFID had:

- deployed a Project Manager to the Basra PRT to work on economic initiatives; and
- re-orientated DFID’s Economic and Governance team in the PRT to support the initiatives, and provided £750,000 to establish the BIPA and the Basra Development Fund.

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<sup>499</sup> Letter Browne to Brown, 2 November 2007, [untitled].

<sup>500</sup> Report Binns, 1 November 2007, ‘GOC HQ MND(SE) – southern Iraq Update – 1 November 2007’.

<sup>501</sup> Letter Alexander to Brown, 9 November 2007, [untitled].

**863.** DFID continued to support other initiatives that would promote growth and investment in Basra, including Basra International Airport and leveraging in Japanese loans. Officials were working closely with the Japanese Embassy in Baghdad to help progress Japanese soft loans through a “complex” Iraqi Government approval process. Japan had committed some US\$2bn in soft loans to Iraq, of which US\$1.2bn was for Basra-based projects including US\$254m for the rehabilitation of Umm Qasr port.

### Japanese support for reconstruction

Japan pledged and disbursed more assistance for Iraq’s reconstruction than any country other than the US.

Japan pledged up to US\$5bn at the Madrid Donors’ Conference on 24 October 2003, consisting of US\$1.5bn in grants (increased to US\$1.7bn by July 2009) for power generation, education, water and sanitation, health and employment, and Security Sector Reform, and up to US\$3.5bn in concessional loans.<sup>502</sup> By July 2009, Iraq and Japan had signed agreements for 12 loan projects worth up to US\$2.43bn, of which US\$1.37bn was for seven projects in the South:

- Umm Qasr Port Rehabilitation Project. Up to US\$270m to dredge shipping lanes, remove wrecked ships, rehabilitate port facilities, and provide equipment and materials.
- Samawah Bridges and Roads Construction Project. Up to US\$30m to build and rebuild bridges across the Euphrates River and to build connecting roads in the vicinity of Samawah, in Muthanna.
- Irrigation Sector Loan Programme. Up to US\$90m for irrigation drainage pumps, equipment and materials including in Muthanna.
- Basra Refinery Upgrading Project. Up to US\$20m to increase capacity.
- Khor al-Zubair Fertiliser Plant Rehabilitation Project. Up to US\$160m to supply machinery for the Kohr Al-Zubair Fertiliser Plant in Basra.
- Crude Oil Export Facility Reconstruction Project. Up to US\$430m for the construction of an on-shore/off-shore pipeline to export oil and installation of off-shore loading facilities in al-Faw, Basra.
- Basra Water Supply Improvement Project. Up to US\$370m to improve the water supply facilities in and around Basra City.

In November 2005, following the Paris Club agreement on debt relief, Japan agreed to reduce Iraq’s official debt to it by 80 percent, with a value of US\$6.7bn.

From February 2004 to July 2006, Japan maintained an Iraq Reconstruction and Support Group, comprising some 600 troops, in Samawah.<sup>503</sup> The Group was mandated to deliver humanitarian and reconstruction assistance only; Australian and UK forces provided protection.

<sup>502</sup> Government of Japan, Factsheet, August 2009, *Japan’s assistance to Iraq (Fact Sheet)*.

<sup>503</sup> *BBC News*, 8 February 2004, *Japan soldiers begin Iraq mission*; *BBC News*, 16 July 2006, *‘Japan troops withdraw from Iraq*.

**864.** NSID(OD) met on 20 November to take stock of the situation in Basra.<sup>504</sup> Cabinet Office officials briefed Mr Brown that the main aim of the meeting was “to ensure that the transfer to Iraqi control in Basra, scheduled for 17 December is not delayed” and that the meeting would need to assess the security situation in Basra and look at how to sustain the present reduction in violence, including through possible political or economic measures.

**865.** At the meeting, Mr Alexander reported that Mr Wareing had agreed to help drive forward the work of the BDC. Several of the projects included within the BDC’s 2007 plan had been requested by local militia leaders, which would help “lock them into the economic and political process”.

**866.** Mr Browne observed that, from a force protection perspective, it would be important to keep local militia leaders engaged and bring them into the wider political and economic process as much as possible. Sir John Scarlett agreed that it would be important to find ways of broadening the dialogue to address a wider range of political and economic issues.

**867.** Summing up the meeting, Mr Brown said that:

- the UK should “press ahead” with the transfer of Basra to PIC on 17 December;
- economic projects should be agreed through proper discussion with local representatives, rather than favouring any faction or individual, though that “did not preclude using a coincidence of interest to draw local militia leaders into the wider political process”;
- Mr Alexander should write with plans for the launch of the BDC; and
- the UK should continue to encourage the Iraqi Government to hold provincial elections as soon as possible.

**868.** After the meeting, Sir John Scarlett’s Private Secretary produced a summary of his account of the meeting.<sup>505</sup> The summary stated that Mr Alexander had expressed concerns about development projects agreed with JAM1 drawing resources and expertise away from existing projects. There was general support for resource decisions to be taken in theatre where conflicts arose between priorities.

**869.** Mr Jones told the Inquiry that:

“... there had been a debate in advance of PIC as to how we could be sure that the whole situation in Basra remained stable. The economy was identified as the crucial thing, and we had many hours of amusement discussing that in Basra with our military colleagues, the degree to which we could help.”<sup>506</sup>

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<sup>504</sup> Minute Cabinet Office [junior official] to Prime Minister, 19 November 2007, ‘NSID(OD) Iraq Meeting – Steering Brief: Tuesday 20 November 16:45-17:30’.

<sup>505</sup> Minute PS/C, 21 November 2007, ‘NSID (IRAQ) 20 NOV 2007’.

<sup>506</sup> Private hearing, 24 June 2010, page 58.

**870.** Section 9.6 describes negotiations between the UK and JAM1.

**871.** Mr Miliband was advised on 7 December that Prime Minister Maliki and Governor Waili had met on 5 December and “cleared the air between them”, paving the way for PIC.<sup>507</sup>

**872.** Lt Gen Rollo reported on 10 December that with Prime Minister Maliki and Governor Waili now reconciled, the UK had to focus on how the promises to be made at the Basra Development Forum would be kept:

“General Petraeus’ challenge, reiterated to each UK visitor, to fulfil our Prime Minister’s intent has been very clear. Barham Salih [the Deputy Prime Minister] underlined this point when he spoke to the MOD and FCO Permanent Secretaries who visited this week along with the DFID Director covering the Middle East. He said that while long term capacity building remained essential, ‘jump starting’ was now necessary ... That should give us our lead. The way that money has been poured into Anbar, by both the US and the GOI [Iraqi Government], to reinforce success is also setting the standard; recognising that in counter-insurgency operations, all the lines of operation must be properly supported.”<sup>508</sup>

**873.** Prime Minister Maliki and Governor Waili jointly hosted a meeting of the Basra Development Forum at Basra International Airport on 12 December.<sup>509</sup> Mr Alexander represented the UK. Mr Salih formally launched the BDC and Mr Alexander announced Mr Wareing’s appointment as its co-chair.<sup>510</sup>

**874.** Mr Prentice reported the following day that the Forum had been a “hugely successful event” which struck “an optimistic note on the governance and economic agenda to complement the security handover” which was due to take place four days later.<sup>511</sup> The Forum had:

- focused the attention of local and central Government on Mr Brown’s economic initiatives, and what needed to be done to implement them;
- allowed Prime Minister Mailiki and Governor Waili to publicly bury the hatchet. At Prime Minister Maliki’s insistence, Governor Waili had pledged to tackle corruption and improve governance;
- showed Basra that Baghdad cared. Prime Minister Maliki had not visited Basra since July 2006; and
- been “authentically Iraqi and Basrawi”, rather than a creation of the PRT.

<sup>507</sup> Minute Paterson to PS/Foreign Secretary, 7 December 2007, ‘Iraq – Basra Developments’.

<sup>508</sup> Minute Rollo to CDS, 10 December 2007, ‘SBMR-I’s Weekly Report (280) 9 Dec 07’.

<sup>509</sup> eGram 50733/07 Baghdad to FCO London, 13 December 2007, ‘Iraq: Basra Development Forum’.

<sup>510</sup> Letter Jones to Aldred, 13 December 2007, ‘Basra: Situation Report’.

<sup>511</sup> eGram 50733/07 Baghdad to FCO London, 13 December 2007, ‘Iraq: Basra Development Forum’.

**875.** Maj Gen Binns reported that at the event, Prime Minister Maliki had described 2008 as “the year of redevelopment and reconstruction”.<sup>512</sup>

**876.** Mr Wareing told the Inquiry he had three roles:

- to champion economic development, particularly in Basra and the south;
- to champion international investment into Iraq; and
- to help set up and to chair the BDC.<sup>513</sup>

**877.** Mr Wareing added that his role was not specifically to promote British investment:

“...the line that I pursued was ... to try to push investment, not just from a British or indeed a European or even a western ... point of view, but basically any investment – and there was a significant amount of investment from the Gulf region.”<sup>514</sup>

**878.** Mr Alexander visited Iraq from 11 to 12 December.<sup>515</sup>

**879.** Ms Hendrie reported that both Gen Petraeus and Lt Gen William Rollo, the Senior British Military Representative, Iraq, had asked Mr Alexander what more DFID could do to accelerate economic development in Basra to take advantage of the current improvement in security. Both had made suggestions for additional projects and for an increase in people – a “civilian surge”.

**880.** In response, Mr Alexander had made clear that any discussion of the DFID programme “should be set within a larger conversation about UK objectives in Iraq”.

**881.** Ms Hendrie told DFID colleagues on 14 December that Mr Alexander wanted a robust discussion with other Ministers about the UK’s strategy in Iraq:

“My sense is that he believes, in the absence of clear Ministerial guidance about what HMG can and should be trying to achieve, [that] DFID are being landed with pressure to deliver an enormous agenda on economic growth in southern Iraq which a) we are not necessarily best-suited for and in any case cannot be viewed as the responsibility of a single department, and b) cannot produce meaningful results in the context of a ‘broken’ politics at the centre in Baghdad and a highly problematic security environment. He plans to engage actively in the conversation about what HMG’s ambitions on the economic front should be and the role of economic development in relation to security and political reconciliation.”<sup>516</sup>

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<sup>512</sup> Report Binns, 13 December 2007, ‘GOC MND(SE) Weekly Letter – 13 December 2007’.

<sup>513</sup> Public hearing, 16 July 2010, page 3.

<sup>514</sup> Public hearing, 16 July 2010, page 12.

<sup>515</sup> Minute Hendrie to Wardell, 15 January 2008, ‘BTOR: Secretary of State Visit to Iraq, 11-12 December 2007’.

<sup>516</sup> Email Hendrie to DFID [junior official], 14 December 2007, ‘Follow-Up to SoS Iraq Visit’.

**882.** Mr Alexander sent Mr Miliband and Mr Browne an update on progress on Mr Brown's economic initiatives on 21 December.<sup>517</sup> He advised that the success of the Basra Development Forum was due in part to the reconciliation of Prime Minister Maliki and Governor Waili, but also reflected:

“... years of often invisible effort in building up capacity of provincial government to spend Iraqi resources for reconstruction and development ... This is the right approach – helping to set up Iraqi institutions to spend Iraqi resources, and it is bearing fruit.”

**883.** Mr Alexander continued:

“My visit also confirmed that we cannot view economic development in isolation from politics or security. They are inter-related and require an HMG-wide effort. We should therefore guard against terminology that suggests a civilian or economic surge will continue to be the driving force in determining Iraq's stability and prosperity ... We need a conscious broadening of the effort across HMG, the mechanisms for which need to be discussed; and we need to ensure that our civilian and military plans for Iraq are co-ordinated. We also need to be clear about what we are aiming to achieve.”

**884.** Basra province transferred to PIC on 16 December.<sup>518</sup> All of the four provinces within MND(SE) had now transferred to PIC.

**885.** Mr Brown met Prime Minister Maliki in the UK on 3 January 2008.<sup>519</sup> On reconciliation, Mr Brown said that he wanted to see rapid progress on the Hydrocarbons Law and local elections. On economic reconstruction, he encouraged Prime Minister Maliki to appoint Iraqi nationals to support Mr Wareing's work. Prime Minister Maliki replied that he would speak to Mr Salih; he also confirmed that he would double Basra's budget.

**886.** Lt Gen Rollo reported on 14 January that the Iraqi Minister of Finance had signed off the first eight Japanese soft loans.<sup>520</sup> The UK was working with the US Embassy to ensure that the first loan, which covered Umm Qasr port, was taken forward immediately. Lt Gen Rollo would continue to track the issue, but he remained of the view that the “real answer” was a Basra Development Office in Baghdad.

**887.** The 16 January meeting of the ISG considered a draft strategy for Iraq.<sup>521</sup> Mr McDonald underlined the importance that Mr Brown attached to the economic

<sup>517</sup> Letter Alexander to Miliband, 21 December 2007, [untitled].

<sup>518</sup> *BBC News*, 23 March 2009, *Timeline: UK Troops in Basra*.

<sup>519</sup> Letter Fletcher to Carver, 3 January 2008, 'Prime Minister's Bilateral with Prime Minister of Iraq, 3 January'.

<sup>520</sup> Minute Rollo to CDS, 14 January 2008, 'SBMR-I's Weekly Report (283) 14 Jan 08'.

<sup>521</sup> Minute Cabinet Office [junior official] to McDonald, 17 January 2008, 'Iraq Strategy Group, 16 January'.

initiatives in Basra, and said that Mr Brown wanted to see “tangible progress in 2008 – for example at the port or airport”.

**888.** Section 9.6 describes the development of the UK’s Short-Term Strategy for Iraq between November 2007 and April 2008.

**889.** Ms Sue Wardell, DFID Director Middle East, said that a choice needed to be made between maintaining current levels of effort during 2008 or “surging resources temporarily”. The surge might focus on the agricultural sector, its links with the oil sector, and regional trade.

**890.** Mr McDonald asked DFID to present options and recommendations to Ministers.

**891.** Lt Gen Rollo reported on 3 February that there had been “positive discussions” with DFID in Basra on the deployment of additional experts to Basra and Baghdad to support Mr Brown’s economic initiatives.<sup>522</sup> He added:

“Given that the initiative was originally announced in early October 2007 it would be good to see decisions in London to turn these into effect. General Petraeus’ enquiries into what hard measures are in place to support the PM’s words have become pointed and public.”

**892.** Maj Gen Binns left MND(SE) on 12 February and was succeeded by Major General Barney White-Spunner.<sup>523</sup>

**893.** Reflecting on progress over the previous six months, Maj Gen Binns commented:

“It has taken me six months to develop an understanding of the Economic and Political Lines of Operation. I have learned to measure economic redevelopment in decades, to be patient, to listen to, and take the advice of, specialists in the PRT, some of whom have been in Iraq for more than 3 years. We should stop beating up on DFID; those, like me initially, who talk of ‘windows of opportunity’ and ‘economic surges’ are misguided. Iraq is awash with money. The Iraqis need help in spending it and overcoming corruption through good governance, which is exactly the approach taken by our PRT. Of course we will continue to use CERPs money to buy consent for military operations, but let us not pretend that this is sustainable development, because on some occasions it is the reverse. In 10 years time Basrawis will remember that the US Army Corps of Engineers built their Children’s Cancer Hospital; they will probably have forgotten Operation SINBAD.”

**894.** In his formal end of tour report, Maj Gen Binns commented that co-operation between departments in theatre was “superb”.<sup>524</sup>

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<sup>522</sup> Minute Rollo to CDS, 3 February 2008, ‘SBMR-I’s Weekly Report 3 Feb 08’.

<sup>523</sup> Minute Binns to CJO, 7 February 2008, ‘GOC MND(SE) Weekly Letter – 07 February 2008’.

<sup>524</sup> Minute Binns to CJO, 12 February 2008, ‘Op TELIC – GOC 1 (UK) Armd Div Post Operation Report’.



**895.** The ISG discussed a further draft strategy for Iraq on 14 February.<sup>525</sup> Mr McDonald again emphasised that Mr Brown was focused on achieving economic effect in 2008, and that the UK should make every effort to do so in the limited time available.

**896.** On 18 February, Lt Gen Rollo reported that Gen Petraeus had asked to see Mr Wareing during his upcoming visit to Iraq.<sup>526</sup> The meeting would be a useful opportunity to explain how the BDC would deliver on “what Petraeus sees as a British commitment to kick-start the economy of the South”. Gen Petraeus believed that campaign success in Iraq depended on the regeneration of the country’s economy.

**897.** Lt Gen Rollo assessed that the UK could do more to support Mr Wareing and, by extension, economic development in the South. This included establishing a Basra Development Office in Baghdad “to leverage US and Iraqi initiatives and work to remove the many legal and political obstacles to investment in Basra”.

**898.** Mr Wareing made his first visit to Basra on 18 and 19 February, to participate in the first meeting of the BDC.<sup>527</sup> Maj Gen White-Spunner described the visit as “excellent”: Mr Wareing had met Governor Waili and had had a genuine exchange of views with his Iraqi colleagues at the BDC and key opinion formers. The BDC had agreed to produce a Basra Economic Development Strategy by June 2008, with the aim of stimulating the economy and fostering private sector development.

**899.** Mr Wareing was unable to travel to Baghdad to meet Gen Petraeus because of bad weather.<sup>528</sup>

**900.** Section 9.6 describes the deteriorating security situation in Basra from the end of January, and the development by the Iraqi Government of plans to confront militias in Basra.

**901.** Mr Alexander agreed on 20 February to increase DFID’s security headcount limit (the number of staff allowed in post at any one time) from seven to nine for Basra and from five to six for Baghdad.<sup>529</sup> The new post in Baghdad would have specific responsibility for facilitating the Basra economic initiatives. A DFID official advised that the increase:

“... should be characterised as organising ourselves to give the Basra economic initiatives the best chance of delivering in the shortest timeframe. It is not a ‘surge’ but nor is it business as usual.”

<sup>525</sup> Minute Cabinet Office [junior official] to McDonald, 15 February 2008, ‘Iraq Strategy Group, 14 February’.

<sup>526</sup> Minute Rollo to CDS, 18 February 2008, ‘SBMR-I’s Weekly Report (288) 17 Feb 08’.

<sup>527</sup> Letter White-Spunner to CJO, 21 February 2008, ‘GOC MND(SE) Weekly Letter – 21 February 2008’.

<sup>528</sup> Manuscript comment on Letter White-Spunner to CJO, 21 February 2008, ‘GOC MND(SE) Weekly Letter – 21 February 2008’.

<sup>529</sup> Minute DFID [junior official] to PS/Secretary of State [DFID], 20 February 2008, ‘Iraq: Delivering the Basra Economic Initiatives’.

**902.** Mr Browne visited Kuwait and Iraq from 12 to 14 March in conjunction with Mr Wareing.<sup>530</sup> Mr Browne reported to Mr Brown that the mood in Iraq was optimistic, reflecting the improved security situation, political progress and the new focus on economic regeneration:

“Inevitably in Iraq, the pace of change is slower than we would wish and no-one believes it is irreversible, but we have an opportunity over the next year or so to contribute to a step-change in the country’s economy and to put our bilateral relationship onto a sustainable long-term footing. That does, however mean we need to redouble our efforts now ... to exploit the progress we have already made.”

**903.** On the economic initiatives, discussions in Iraq had identified three areas where the UK could do more:

- reinforcing the UK team in Basra and Baghdad. Gen Petraeus thought that the UK was “under-gunned”;
- re-doubling the UK effort to unblock the investment and hydrocarbons legislation, and to encourage international business to invest in Basra; and
- a diplomatic initiative, with the US, to encourage a constructive partnership between Basra and Kuwait.

**904.** Mr Browne commented that working alongside the US should help improve the UK’s relationship with the US. Although Gen Petraeus had been polite during their meeting, and also during his later meeting with Mr Wareing, he had previously been critical of the scale of the UK’s non-military engagement in Basra.

**905.** The British Embassy Baghdad reported that Gen Petraeus had spelt out his concerns in his meeting with Mr Wareing:

“In his [Gen Petraeus] view the UK had not been aggressive enough in trying to achieve development change in Basra, and we needed to ‘increase our horsepower’ ... He felt that the PM [Mr Brown] and the Foreign Secretary [Mr Miliband] had promised much, but that he hadn’t seen much delivery ... he would make his concerns clear to the PM when he comes through the UK in April.”<sup>531</sup>

**906.** The Embassy commented that Gen Petraeus wanted the UK to set up an office in the Green Zone in Baghdad to promote Basra, and to increase the UK presence in Basra.

**907.** Mr Alexander sent Mr Brown a further update on progress on the economic initiatives on 31 March, in advance of the planned discussion of the UK’s Iraq Strategy at the 1 April meeting of NSID(OD).<sup>532</sup>

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<sup>530</sup> Letter Browne to Brown, 18 March 2008, ‘Visit to Baghdad and Kuwait’.

<sup>531</sup> Telegram 10285/08 Baghdad to FCO London, 17 March 2008, ‘Michael Wareing to Baghdad, 14 March’.

<sup>532</sup> Letter Alexander to Brown, 31 March 2008, [untitled].

**908.** He advised that DFID had increased the number of full-time equivalent staff working on the economic initiatives from four in January 2008 to 10. DFID would also establish a Basra Support Office in Baghdad. DFID was recruiting internally to staff that office, and was discussing with other departments including the FCO, the MOD and UK Trade and Investment what role they could play. Mr Wareing had stated that this level of staffing was “fully adequate” to deliver the initiatives.

**909.** In his evidence to the Inquiry, Mr Wareing highlighted three major successes within the Basra economic initiatives:

- the youth unemployment programme, which Prime Minister Maliki had expressed interest in rolling out nationwide;
- Basra International Airport and Umm Qasr port, where Mr Wareing had been able to bring together the UK military, DFID and local Iraqi leaders; and
- the establishment of the National Investment Commission and the Basra Investment Commission.<sup>533</sup>

**910.** Mr Keith MacKiggan, Head of the PRT from September 2008, told the Inquiry that the economic initiatives had been “very effective”, as evidenced by:

- the interest shown by the Iraqi Government in replicating the initiatives country-wide;
- the amount of investment that they attracted into Basra; and
- the economic confidence that they had helped to engender.<sup>534</sup>

## Charge of the Knights, March 2008

**911.** On 25 March 2008, in response to growing concerns over the security situation in Basra, Prime Minister Maliki launched a major offensive against Basra militias.<sup>535</sup>

**912.** Section 9.6 considers the genesis and implementation of that military operation, which came to be known as the Charge of the Knights, and the damage to UK-Iraqi and UK-US relations.

**913.** Mr Browne reported to Cabinet on recent events in Basra on 1 April.<sup>536</sup> He said that the decision to launch the operation had come as a surprise to everyone. Mr Brown said that Ministers would have a further discussion of the implications of recent events at NSID(OD).

**914.** NSID(OD) met later that day, with Mr Brown in the chair, to consider the UK’s “continuing role in Basra in 2008/2009, and the timelines and considerations for taking

<sup>533</sup> Public hearing, 16 July 2010, page 55.

<sup>534</sup> Public hearing, 7 January 2010, pages 22-23.

<sup>535</sup> *BBC News*, 25 March 2008, *Basra’s gun rule risks Iraq future*.

<sup>536</sup> Cabinet Conclusions, 1 April 2008.

decisions on force level options”.<sup>537</sup> The meeting was provided with three papers: a Short-Term Strategy, a draft of Mr Browne’s planned statement to Parliament, and Mr Alexander’s letter to Mr Brown of 31 March on progress on the economic initiatives.

**915.** The Short-Term Strategy paper considered four options for drawing down UK troops in Iraq, set out the civilian and military tasks that the UK could continue to undertake in each case, and assessed the impact of withdrawing from Iraq on the UK’s reputation.<sup>538</sup>

**916.** The paper suggested criteria which might be used to evaluate those options, but did not attempt such an evaluation and made no recommendation on troop withdrawals. The criteria for evaluation included the ability to deliver Mr Brown’s economic initiatives and the provision of a secure platform for political and economic work.

**917.** The paper also identified a number of areas in which the UK should continue to work in the absence of a significant military presence in Basra. Those included:

- **Economics.** In Baghdad, the UK had carved out a “niche role alongside the massive US effort”. UK support for building Iraqi Government capacity for economic policy and public finance/budget management was highly valued by Iraqi officials and had given the UK a seat at the “coalition policy-making table”, providing critical leverage to lobby for greater engagement by the World Bank and other multilateral institutions. In Basra, Mr Brown’s economic initiatives were making “real progress” under Mr Wareing’s leadership. The paper assessed the work to be of high importance (because a successful economy was an important driver of stability), but the UK’s impact to be “low to medium” (because of the programme’s relatively small scale and the fact that real progress would depend on the Iraqi Government).
- **Governance and security/justice sector reform.** Both the US and the Iraqi Government valued the UK’s work to build capacity in these areas. The work was of medium importance (as DFID’s projects and the FCO policing mission represented “niche added value”) and the UK’s impact “medium”.
- **Pressing for more substantive multilateral and regional engagement by the UN, EU, IMF and World Bank.** The work was of high importance (as more substantive engagement by multilateral organisations would ease the burden on the US and UK and positive regional engagement was crucial for Iraq’s long-term stability) and the UK’s impact also “high” (as it had more leverage with the EU, UN and World Bank than the US).

**918.** At the meeting, Mr Brown recognised that it was difficult to take firm decisions on longer-term options until there was a clearer assessment of events in Basra.<sup>539</sup> It was

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<sup>537</sup> Paper Cabinet Office, 31 March 2008, ‘Iraq’.

<sup>538</sup> Paper FCO, March 2008, ‘Iraq: The Short Term’.

<sup>539</sup> Minutes, 1 April 2008, NSID(OD) meeting.

good that the Iraqi Army had sought to take control, but the way in which it had done so threatened to have a negative impact on political and economic progress, as well as the security gains achieved by UK forces. The UK “could not afford to be perceived to be irrelevant to the situation in Basra”.

**919.** Mr Browne said that there were now US forces involved in Basra, and they were unlikely to leave.

**920.** Ministers agreed that troop levels should remain at 4,100 until the situation became clearer and that no decision on longer-term military commitment should be taken at present.

**921.** Concluding the discussion, Mr Brown said that hopes for political and economic stability to take hold in Basra had been “set back”. The UK needed to wait and assess the implications of events “but work to bring our political and economic objectives back on line”.

**922.** The Iraqi Government and the US moved quickly to boost reconstruction in Basra in the wake of the Charge of the Knights.

**923.** The UK was concerned that the wave of new money, the focus on short-term projects, and the actions of central Government would undermine existing Provincial Government structures and systems (which the UK had helped to establish).

**924.** Mr Prentice attended the Iraqi Ministerial Committee on National Security on 6 April, and reported that the Iraqi Government’s main priority was finding civilian employment for 25,000 unemployed Basrawis.<sup>540</sup> Acting Justice Minister Dr Safa al-Safi had been appointed to co-ordinate the Iraqi Government’s economic efforts in Basra.

**925.** The British Embassy Office Basra reported on 7 April that a nine-strong US Civil Military Operating Centre (CMOC) would arrive later that day, and would be operational within 24 hours.<sup>541</sup> The PRT had welcomed their arrival. The CMOC’s focus would be on shorter-term employment schemes (“how to get young men off the payroll of JAM and other militias”).

**926.** The British Embassy Office Basra reported the following day that it would be important that the CMOC shared the UK’s philosophy that “we not do things for the Iraqis, but with them”.<sup>542</sup>

**927.** A DFID official in Baghdad reported to DFID colleagues on 9 April that the Iraqi Council of Ministers had agreed to provide US\$100m for economic work in Basra.<sup>543</sup> Dr al-Safi had arrived in Basra and had set up a number of committees. In parallel,

<sup>540</sup> eGram 13078/08 Baghdad to FCO London, 7 April 2008, ‘Iraq: Ministerial Committee on National Security, 06 April 2008’.

<sup>541</sup> eGram 13086/08 Basra to FCO London, 7 April 2008, ‘Basra Update – 7 April 2008’.

<sup>542</sup> eGram 13285/08 Basra to FCO London, 7 April 2008, ‘Basra Update – 8 April 2008’.

<sup>543</sup> Email DFID [junior official] to DFID [junior official], 9 April 2008, ‘Basra’.

the US military was developing its own mass employment schemes and USAID was considering what more it might do.

**928.** The official commented that it was possible that the US could “do things” that the UK had not tried, as it could:

- dedicate more people and more money to the task;
- change the security environment to secure better civilian access;
- operate outside Iraqi structures;
- ensure better linkages to US work in Baghdad; and
- “apply sufficient clout at the Baghdad end” to secure the Iraqi Government’s attention.

**929.** The UK was lobbying the US on the need to engage with local government and the PRT in order to avoid setting up parallel systems and losing the benefits of local knowledge and experience. The key risk was that UK programmes (which were designed to be Iraqi-led, and thus required a considerable amount of Iraqi engagement and energy) would be “crowded out” as Iraqi counterparts focused on the larger and more immediate US programmes.

**930.** A UK official in the Basra PRT agreed with that assessment and commented:

“None of this is going to stop and it is going to be a big distraction for a small PRT team ... trying to force the military to listen to what we have to say, and trying to stop MNF taking over the show completely ... It’s not just on the economic/governance agenda – it’s the same for our CivPol mission and all the policing work we have done ...”<sup>544</sup>

**931.** In his weekly report of 10 April, Maj Gen White-Spunner described recent events as:

“... a real opportunity for Basra and hence our involvement here. The time for any recrimination ... is behind us; we now have a better chance than we have arguably had for two years to achieve better security and some initial development goals in the city. We will not have long to do so ...”<sup>545</sup>

**932.** Dr Christian Turner, Cabinet Office Overseas and Defence Secretariat, sent Mr Brown an assessment of the implications of the Charge of the Knights on 11 April, in advance of Mr Brown’s visit to Washington.<sup>546</sup> Dr Turner described the UK’s military options (step up to take full responsibility for MND(SE), steady-state or an accelerated withdrawal).

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<sup>544</sup> Email FCO [junior official] to Hendrie, 9 April 2008, ‘Basra’.

<sup>545</sup> Minute White-Spunner to CJO, 10 April 2008, ‘GOC MND(SE) Weekly Letter – 10 April 2008’.

<sup>546</sup> Minute Turner to Prime Minister, 11 April 2008, ‘Iraq: Implications of Basra Operations and US Visit’.

**933.** Dr Turner also advised that the UK would need to redouble its effort on the economy:

“Presentationally, the US effort risks overshadowing UK economic initiatives. The likelihood is that the US will focus on quick impact projects ... Funding will come from the US military (up to US\$70m) and the Government of Iraq (US\$100m or more).

“We will need to ensure our projects are co-ordinated and complementary. Experience over the past five years in such [quick impact] projects is that they provide short-term benefits, but are often not sustainable. DFID’s view remains that economic recovery will require ... a resolution to address the deep-seated problems in the Basra economy and the building of sustainable Iraqi institutions ... Our message to the US will need to be that such work takes time.”

**934.** In his weekly report of 17 April, Maj Gen White-Spunner advised that MND(SE) continued to focus on drawing as much US and Iraqi resource into Basra as possible in order to take advantage of the “unexpected but very welcome changes” that the Charge of the Knights had brought.<sup>547</sup>

**935.** A DFID official provided a briefing for Mr Alexander on the impact of the Charge of the Knights on 18 April.<sup>548</sup> Street-life in Basra was “noticeably more confident”, with pop music and alcohol on sale. Dr al-Safi had set up a committee to review project proposals from the Provincial Council, the Governor and local Sheikhs, but had said that he did not want proposals from the coalition. He was determined that the Iraqi Government should be seen to be in charge and favoured quick impact projects focused on infrastructure, implemented through line ministries and tribal leaders. On the US side, “large numbers” of people were flowing into the US CMOC.

**936.** The major risk for the UK Government remained that the Provincial Government would be undermined by the decision to channel funding through line ministries, tribal leaders and NGOs. The UK continued to engage with the US and Dr al-Safi to emphasise the advantages of engaging with the Provincial Government, the Provincial Council and the PRT, rather than creating parallel systems.

**937.** Mr McDonald told the 28 April meeting of the ISG that: “It was now clear that there was a shared UK/US operation in the South, and that we would need to decide on their tasks and the division of labour.”<sup>549</sup> The UK needed to focus on its remaining political, economic and military tasks. The first two required provincial elections to take place, and tangible outcomes from the work of Mr Wareing and the BDC.

<sup>547</sup> Minute White-Spunner to CJO, 17 April 2008, ‘GOC MND(SE) Weekly Letter – 17 April 2008’.

<sup>548</sup> Minute DFID [junior official] to Private Secretary [DFID], 18 April 2008, ‘Information Note: Latest Consequences of Iraqi Operations in Basra’.

<sup>549</sup> Minute Cabinet Office [junior official] to McDonald, 28 April 2008, ‘Iraq Strategy Group, 28 April’.

**938.** Mr Miliband visited Baghdad and Erbil in mid-April.<sup>550</sup> He wrote to Mr Brown on 29 April:

“However unfortunate its genesis, Maliki’s operation in Basra has created an opportunity to reshape our approach there and set a new direction towards transition. 2009 is the year we will need to move from a Basra military strategy to an Iraq political and economic strategy.”

**939.** The Iraqi Government was “for the first time since 2003” giving full attention to Basra. In support of that, the US had committed “serious assets” to strengthen MND(SE). Those combined US, UK and Iraqi resources would “accelerate the rate of positive change in Basra”, paving the way for a “proper and respectable end” to the UK’s role as “lead partner in the coalition” in the course of 2009.

**940.** Mr Miliband identified seven goals towards which substantial progress would need to be made if the UK was to make that “final transition”, including:

- “reconstruction clearly under way; sturdy green shoots of economic revival;
- the BIPA and BDF [Basra Development Fund] well-established;
- the airport on its way to be a development and business hub and transport hub;
- Umm Qasr port better managed and with development plans in place”; and
- the start of “a broad-based and natural relationship with the new Iraq, the ‘whole Iraq policy’ which we have long wanted”.

**941.** Maj Gen White-Spunner reported on 1 May that:

“What is becoming increasingly evident, as our situational awareness improves, is just what a poor state the city is in, with basic services non-existent in some areas and a serious problem with raw sewage and mounds of rubbish on the streets.”<sup>551</sup>

**942.** Mr Brown hosted a reception at No.10 on 28 April, to raise the profile of southern Iraq as an investment destination and enhance Iraqi Government interaction with potential investors.<sup>552</sup>

**943.** Mr Brown was subsequently advised that between 25 and 30 companies, including BP and Shell, had expressed a serious interest in exploring investment opportunities.<sup>553</sup>

**944.** Mr Brown met Gen Petraeus and Ambassador Crocker in London on 1 May.<sup>554</sup> Mr Miliband, Mr Browne, Mr Alexander and senior officials attended.

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<sup>550</sup> Letter Miliband to Prime Minister, 29 April 2008, ‘Iraq’.

<sup>551</sup> Minute White-Spunner to CJO, 2 May 2008, ‘GOC MND(SE) Weekly Letter – 1 May 2008’.

<sup>552</sup> Minute Cabinet Office [junior official] to Prime Minister, 25 April 2008, ‘Basra Investors’ Reception, No10: 28 April 2008’.

<sup>553</sup> Minute Cabinet Office [junior official] to Prime Minister, 30 April 2008, ‘Iraq: Meeting with Petraeus and Crocker, 1 May 2008’.

<sup>554</sup> Minute Cabinet Office [junior official] to Prime Minister, 30 April 2008, ‘Iraq: Meeting with Petraeus and Crocker, 1 May 2008’.



**945.** The Cabinet Office briefing for Mr Brown stated that Gen Petraeus believed that the UK should mount a civilian surge, and had advocated a more hands-on (rather than Iraqi-led) approach. Dr al-Safi and Prime Minister Maliki had both recently told UK interlocutors that they did not think UK-led economic development in Basra was proceeding quickly enough. Dr al-Safi was “resistant” to UK lobbying in favour of channelling Iraqi Government funds through the Provincial Government.

**946.** The DFID briefing for Mr Alexander stated that the US military was becoming increasingly frustrated with the pace of the Provincial Government’s clear-up of the streets after the fighting, and warned that the US might be tempted to take control of the operation themselves.<sup>555</sup> That would be a significant step backwards. The PRT was trying to resist, but the pressure to make things happen was strong.

**947.** The briefing also advised that DFID feared that the Iraqi Government’s reconstruction money was being used as a way of consolidating central Government or Dawa party control over Basra. That would represent a patronage-based, unaccountable way of managing Basra.

**948.** The Iraqi Army and MND(SE) were now in control of Umm Qasr port (previously under militia control) and corruption and smuggling had ended. With the improved security environment, it would be possible to return to US plans for the commercialisation of the port.

**949.** Mr Brown’s meeting with Gen Petraeus and Ambassador Crocker covered a range of political, security and economic issues (see Section 9.7).<sup>556</sup>

**950.** At the meeting, Mr Alexander described the 28 April investors’ reception as a success, and identified the development of the port and airport and the capacity of central Government to support Basra as priorities.

**951.** Summing up the discussion, Mr Brown said that the central UK focus would be accelerated training of Iraq’s 14 Division, preparations for provincial elections, progress on handing control of Basra Airport to the Iraqis and economic reconstruction. Decisions on troop numbers would be taken in the context of completion of these tasks.

**952.** The record of the meeting did not report any criticism by Gen Petraeus of the scale or nature of the UK’s engagement on economic development.

**953.** Mr McDonald advised Mr Brown the following day that the UK would need to retain around 4,100 troops in southern Iraq for the next six months to complete those key tasks.<sup>557</sup>

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<sup>555</sup> Minute DFID [junior official] to Private Secretary [DFID], 30 April 2008, ‘Briefing for Attendance at PM/Petraeus meeting on 1 May’.

<sup>556</sup> Letter Fletcher to Rimmer, 2 May 2008, ‘Iraq: Prime Minister’s Meeting with General Petraeus, 1 May’.

<sup>557</sup> Email Fletcher to Brown, 2 May 2008, ‘Iraq Troop Numbers – Note from Simon’.

**954.** Mr Nick McInnes, UK Trade and Investment (UKTI) Director International Group, briefed UKTI colleagues on 3 May that there was growing pressure from the British Embassy Baghdad and the MOD for a larger UKTI presence in Baghdad.<sup>558</sup> Their arguments for that were:

- the increased interest in Iraq from UK companies;
- the likelihood that Mr Brown's economic initiatives would stimulate further interest; and
- the possibility of sales of UK military equipment to Iraq.

**955.** Section 10.3 describes the UK Government's efforts to promote UK businesses.

**956.** In an Assessment of 14 May, the JIC examined the impact of the Charge of the Knights on JAM, Prime Minister Maliki, his Government and the Sadrists.<sup>559</sup> The JIC's Key Judgements included:

- Prime Minister Maliki was enjoying broad political support following the success of the Charge.
- The Charge had significantly weakened JAM in Basra.
- In Basra, expectations were high. Prime Minister Maliki would need to deliver improvements in public services and job creation "in weeks".

**957.** Mr Browne visited Iraq briefly, on his way to Afghanistan, at the end of May, where he "realised a personal ambition by having a cup of tea downtown", the result of "a remarkable transformation of the security situation".<sup>560</sup>

**958.** A DFID official briefed Mr Alexander on 30 May that, following Mr Browne's visit to Iraq, there were growing expectations among some military colleagues that UK civilians would soon be able to travel "beyond the wire" (outside Basra Air Station).<sup>561</sup> Visits to Basra Palace by PRT and DFID staff were currently being undertaken at night, by helicopter, and were approved on a case-by-case basis. The situation was not yet good enough to enable PRT and DFID staff to visit Iraqi Government offices on a regular basis, but DFID would keep the situation under review.

**959.** Ms Reid told the Inquiry that shortly after the Charge of the Knights, Dr al-Safi agreed to meet UK officials but not at the Basra Air Station:

"That basically forced a decision ... It [the meeting] was something that was so important ... there was so much pressure coming from Baghdad and from London, that we need to go and have this discussion with him. And at that point ... authority for me to go went back to my Permanent Secretary to get the okay, because it was

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<sup>558</sup> Email McInnes to Haird, 3 May 2008, 'Resourcing Commercial Work in Iraq'.

<sup>559</sup> JIC Assessment, 14 May 2008, 'Iraq: the Charge of the Knights'.

<sup>560</sup> Letter Browne to Brown, 4 June 2008, 'Visit to Basra'.

<sup>561</sup> Minute DFID [junior official] to PS/Secretary of State, 30 May 2008, 'Iraq: Ministerial Trilateral Discussion, 2 June 2008'.

turning around something that had been in place for so long and there was so much nervousness about it.

“What that did was started a discussion which was the default can’t necessarily remain ...

“So by the time I left in October [2008], decisions on moves to the Palace could be made by the head of DFID Baghdad. They didn’t have to go back through a lengthy chain in London. Decisions on some other road moves would still go through my boss back in London, but gradually that got moved more and more to theatre, became much more like the Baghdad experience of Red Zone moves.”<sup>562</sup>

**960.** The 2 June meeting of the ISG focused on economic development.<sup>563</sup> Ms Aldred said that “economic deliverables” would form a core part of the narrative that Mr Browne had asked for following his visit to Basra, and asked DFID to lead on compiling it. Mr McDonald said that Mr Brown would want to announce economic progress – or, at the very least, a Basra economic plan – in his planned Parliamentary statement in July.

**961.** Ms Hendrie reported that Dr al-Safi was making little progress in spending the Iraqi Government’s reconstruction funds for Basra and that, despite UK lobbying, he remained reluctant to use established structures. The Basra Support Office in Baghdad would become operational on 7 June. UKTI had expressed interest in appointing a First Secretary (Commercial) to Baghdad, but was reluctant to fund or staff the post.

**962.** A 9 June Current Intelligence Group (CIG) Assessment of Basra’s economy, commissioned by DFID, judged that the Charge of the Knights had secured “a window of opportunity to create the conditions for economic growth” but that reconstruction and development would continue to be constrained by:

- the absence of any systemic approach to project and financial management within the Iraqi Government;
- competing political agendas, which meant that reconstruction was subject to “political manoeuvring”;
- corruption, which would remain endemic under the present Government or any likely successor;
- the uncertain legislative environment, which continued to hold investors back. International oil companies were in negotiation with the Ministry of Oil but they were unlikely to make long-term investments until a Hydrocarbons Law had been adopted;
- security, which remained fragile;
- crime and smuggling; and

<sup>562</sup> Public hearing, 24 June 2010, pages 66 and 67.

<sup>563</sup> Minute Cabinet Office [junior official] to McDonald, 2 June 2008, ‘Iraq Strategy Group, 2 June’.

- a “brain drain”. Militia violence and intimidation, which specifically targeted middle-class Basrawis, had prompted many to leave, resulting in a shortage of capable local entrepreneurs.<sup>564</sup>

**963.** DFID deployed an aviation industry consultant to Basra International Airport on 11 June, with the long-term aim of achieving “international certification” within two years.<sup>565</sup> In the shorter term, the consultant aimed to raise the capacity of the airport from four or five to 15 flights per day.

**964.** Ms Hendrie and Mr Donal Brown, her successor as DFID Deputy Director Iraq, visited Iraq from 13 to 22 June.<sup>566</sup> Their report to Mr Anderson and DFID colleagues focused on what could be done in the next 12 months (while there was likely still to be a significant UK military presence) which would constitute “a reasonable package of ‘deliverables’” in Basra. Components of that package included:

- Basra International Airport. There was “some confusion” over what the UK could deliver. International Civil Aviation Organisation (ICAO) accreditation was done at a country level rather than for an individual airport (so the UK could not hand over an accredited airport). Support for the airport was a joint DFID/MOD responsibility.
- Completion of Pumping Station 2 and the water towers. The last two of DFID’s infrastructure projects in the South, their completion would “go some way toward demonstration that the UK has done something for the people of southern Iraq”.
- Mr Brown’s economic initiatives.
- The PRT’s economic and governance work. The Cabinet Office and MND(SE) wanted a youth employment programme.

**965.** Ms Hendrie and Mr Donal Brown commented that it was “important that the Head of the PRT has sufficient time allocated [to leading the PRT] alongside her expanding political work as Deputy CG [Consul General]”.

**966.** Gen Dannatt visited Basra at the end of June, reporting a “very positive mood within MND(SE) and a real sense that we may actually be able to deliver success, although within a realistic timeframe”.<sup>567</sup> He remained “unconvinced that the PRT in Basra is demonstrating enough energy, purpose and drive to be able to deliver meaningful results in the timeframe we require”.

**967.** Mr McDonald told the 3 July meeting of the ISG that Mr Brown’s statement to Parliament could highlight three key objectives for the next six months: training 14 Division; successful provincial elections; and handing over Basra Airport to civilian

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<sup>564</sup> CIG Assessment, 9 June 2008, ‘Iraq: Basra’s economy’.

<sup>565</sup> Minute Hall to PS/Secretary of State [DFID], 30 May 2008, ‘Iraq: Ministerial Trilateral discussion, 2 June 2008’.

<sup>566</sup> Minute Hendrie and Brown to Anderson, 27 June 2008, ‘Iraq BTOR – 13<sup>th</sup> – 22<sup>nd</sup> June 2008’.

<sup>567</sup> Minute CGS to various, 4 July 2008, ‘CGS Visit to Iraq and Cyprus – 30 Jun-2 Jul 08’.

control.<sup>568</sup> An FCO official cautioned against exaggerating Basra Airport's success – flight numbers had been dropping.

**968.** NSID(OD) met on 15 July, to discuss a paper prepared by Cabinet Office officials on UK strategy in Iraq 2008/2009.<sup>569</sup>

**969.** A DFID official briefed Mr Alexander in advance of the meeting that:

- Dr al-Safi was drawing the BDC into “party political wrangling”, questioning the validity of its constitution and the UK’s role in relation to it. Prime Minister Maliki had recently said that the BDC was “colonialist inspired”.
- Meanwhile, the BDC was drawing up a Basra Economic Development Plan which “in practice ... will be based on Wareing’s own ‘Key Goals’ document”.
- Dr al-Safi claimed to have allocated US\$100m to 200 projects in Basra and to have hired 15,000 people for public works, but there was little evidence of that on the ground. DFID was lobbying for the funds to be spent through “transparent channels”.
- “Partners” had raised concerns about the capacity of the Basra PRT. The Deputy Consul General in Basra also headed the PRT and was “overloaded”. DFID was working closely with the FCO to improve the capacity of “this FCO-led team”.<sup>570</sup>

**970.** A separate DFID briefing for Mr Alexander stated that Mr Wareing had identified four issues as “critical” to UK success in Basra:

- Basra International Airport. The UK needed to “define objectives for success” and clarify responsibility within the UK Government for delivery.
- UKTI support for the Basra Support Office in Baghdad. UKTI had declined to fund a post.
- Improving the performance of the Basra PRT. The US had suggested that it was under-performing compared with other PRTs.
- Improving Iraq/Kuwait economic ties.<sup>571</sup>

**971.** The DFID briefing also stated that there was:

“... a continuing view amongst some Iraqi politicians (i.e. Dr al-Safi and – to a lesser extent – Prime Minister Maliki) ... that reconstruction and development work is not proceeding fast enough to capitalise on improved security. We are working through the Basra Support Office in Baghdad and the PRT ... to counter these views ...”

<sup>568</sup> Minute Jones to McDonald, 7 July 2008, ‘Iraq Strategy Group, 3 July’.

<sup>569</sup> Paper Cabinet Office Officials, 11 July 2008, ‘Iraq’.

<sup>570</sup> Minute DFID [junior official] to PS/Secretary of State [DFID], 3 July 2008, ‘Information Note: Update for the Secretary of State’.

<sup>571</sup> Email DFID [junior official] to PS/Secretary of State [DFID], 11 July 2008, ‘Iraq Ministerial Trilateral 14 July – Briefing’ attaching Briefing DFID, [undated], ‘Iraq (Trilateral) – 14 July’.

**972.** Cabinet Office officials invited Ministers to agree that the UK's key tasks for 2008/2009 should be:

- training and mentoring the Iraqi Army's 14 Division, until it is capable of independent operations with minimal Coalition support – expected in about April 2009;
- supporting provincial elections, due by the end of 2008; and
- supporting economic development in Basra, based on Michael Wareing's outline Economic Development Strategy.<sup>572</sup>

**973.** Officials also invited Ministers to agree that the UK should continue to press for passage of the Hydrocarbons Law.

**974.** Officials assessed that Basra's economy was gaining momentum. Since the No.10 reception on 28 April, foreign investors had begun to pursue projects with a potential value of US\$4.3bn. The UK had helped Basra Provincial Council to secure US\$400m from central Government for the current year. However, the UK was still being criticised for not doing enough and local politics was slowing economic progress, including on the Basra Development Fund and BIPA. The UK needed a focused effort to deliver and demonstrate UK achievements by early 2009, based on the Economic Development Strategy being developed by Mr Wareing and the BDC.

**975.** At the meeting, Mr Alexander reported on Mr Wareing's draft Economic Development Strategy.<sup>573</sup> Mr Wareing was optimistic: four major companies were already examining investment opportunities in Basra.

**976.** Concluding the discussion, Mr Brown welcomed the opportunity that his 22 July statement would provide to set out UK policy publicly. The UK's key goals for the year ahead should be to:

- push for early provincial elections;
- hand over Basra Airport by the end of 2008;
- produce an economic plan shortly; and
- complete training of 14 Division by the end of May 2009.

**977.** Mr Brown met Prime Minister Maliki in Iraq on 19 July.<sup>574</sup> Prime Minister Maliki gave an upbeat account of progress: IDPs were returning to their homes, children were returning to school, 650 doctors had returned from abroad and many university professors were returning to work. There were improvements in the economy, infrastructure and oil production and factories were working again.

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<sup>572</sup> Paper Cabinet Office, 11 July 2008, 'Iraq'.

<sup>573</sup> Minutes, 15 July 2008, NSID(OD) meeting.

<sup>574</sup> Letter Fletcher to Hickey, 19 July 2008, 'Prime Minister's Meeting with Prime Minister Maliki, 19 July'.

**978.** Mr Brown underlined the UK's wish to help on key issues, including Basra port, oil and the steel industry. Mr Brown said that UK forces would not stay longer than was necessary to "finish the tasks we had started", specifically:

- training 14 Division;
- preparing to make Basra Airport operational; and
- supporting local authorities with provincial elections.

**979.** Mr Brown also visited Basra.<sup>575</sup> His programme focused on SSR, although he also visited Basra Airport and met key economic figures. The British Embassy Office Basra reported that Mr Brown was "particularly struck by the need for rapid development of the airport and ports".

**980.** Mr Brown told Cabinet on 22 July that the UK was pursuing four key functions with Iraq:

- UK forces had moved from a combat to an overwatch role. UK troops' primary role was training and mentoring Iraqi forces, with a last resort intervention capability, though that was also gradually being taken over by Iraq.
- Pursuing economic development, which was showing some evidence of success, providing Iraqi citizens with work and a stake in their future.
- Local government elections would give former members of the militia the opportunity to engage in democratic politics.
- Working to transfer Basra International Airport from military to civilian control.<sup>576</sup>

**981.** Mr Brown said that the BDC would produce an economic plan in the autumn and he hoped that local elections would take place by the end of the year; likewise the handover of Basra Airport. Training of 14 Division should also be completed by the end of the year, with additional training of headquarters and specialist functions required in early 2009. Mr Brown "expected that we would be able to make substantial reduction in the number of British forces next year, but that would depend on circumstances. He was not going to make an estimate of the numbers now."

**982.** Mr Brown concluded that if the UK had left Iraq a few months earlier, the job would not have been finished; with the improvements in security, momentum for economic development and a move towards local democracy once the elections were held, the Iraqi people now felt that they had a stake in the future.

**983.** In his statement to Parliament on 22 July, Mr Brown described the impact of the UK's reconstruction effort:

- "British-led" projects in the South had helped to deliver electricity for 800,000 people and water for over one million people.

<sup>575</sup> eGram 28460/08 Basra to FCO London, 20 July 2008, 'Iraq: Prime Minister's Visit to Basra, 19 July'.

<sup>576</sup> Cabinet Conclusions, 22 July 2008.

- UK funding had helped the UN and World Bank to repair and re-equip 1,000 health centres and more than 5,000 schools, and to train nearly 150,000 teachers.
- With British training and equipment, Basra International Airport was now handling more than 20 flights a day.
- British mentoring and support had helped the Basra Provincial Council access US\$400m in central Government funds.<sup>577</sup>

**984.** Mr Brown stated that it was right that the UK completed the tasks it had set itself. It expected the BDC to publish a detailed Economic Development Strategy in the autumn, and for the Iraqi authorities to “take over development” of Basra International Airport by the end of the year.

**985.** Major General Andrew Salmon took up post as GOC MND(SE) in August 2008.<sup>578</sup>

**986.** Mr Nigel Haywood, UK Consul General in Basra from April 2008, told the Inquiry that:

“When [Major] General Salmon and I jointly went to call on the Governor in his office in August, that was the first time anybody had called on the Governor’s office for two years, nobody had been out really operating in the town [since] October 2006.”<sup>579</sup>

**987.** On 24 August, in his first weekly report from Basra, Maj Gen Salmon reported that he was having “very positive” discussions with the PRT on how to enable the movement of civilian staff.<sup>580</sup> He was also developing with the Consul General a “realistic six to nine month programme of works that will deliver tangible effects, based on Iraqi need”.

**988.** In his next weekly report, Maj Gen Salmon advised that:

“... the inability of central and provincial government to translate cash into essential services, jobs and electricity could become a central security issue. A re-oriented reconstruction strategy accompanied by imaginative information operations should help mitigate this risk.”<sup>581</sup>

**989.** Maj Gen Salmon also reported that Basra needed a “Business Support Facility” to cater for the expected rush for potential investors to Basra as security improved: “The investor phenomenon is accelerating exponentially.”

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<sup>577</sup> House of Commons, *Official Report*, 22 July 2008, column 661.

<sup>578</sup> Public hearing, 20 July 2010, page 1.

<sup>579</sup> Public hearing, 7 January 2010, page 7.

<sup>580</sup> Minute Salmon to CJO, 24 August 2008, ‘GOC MND(SE) Weekly Letter – 24 August 2008’.

<sup>581</sup> Minute Salmon to CJO, 31 August 2008, ‘GOC MND(SE) Weekly Letter – 31 August 2008’.



**990.** The Stabilisation Unit (formerly the Post-Conflict Reconstruction Unit – PCRU) undertook a review of the Basra PRT in August, at the request of the FCO. The aim of the review was to:

- assess whether the PRT’s objectives remained valid in the light of developments since the Charge of the Knights; and
- evaluate the PRT’s performance.<sup>582</sup>

**991.** The “primary purpose” of the review was to ensure that the PRT functioned to its full potential and delivered “tangible and sustainable benefits” over the next 12 months. It seemed likely that the PRT would not exist in its current form once British troop levels reduced in early or mid-2009, and that the US would take over the PRT at that time.

**992.** The Stabilisation Unit review reported that while all PRTs in Iraq were constrained by insecurity and a lack of Iraqi capacity, the Basra PRT faced a number of additional challenges:

“... a part-time leader since January 2007, a dysfunctional structural legacy, limited resources, and an absence of a long-term strategy due to uncertainty over its future ever since its creation in April 2006.”

**993.** Given those constraints, the Basra PRT had performed well in some areas, in particular in securing Provincial Council ownership of the Provincial Development Strategy and building Iraqi capacity on budget planning and execution. The PRT had also responded well to reconfigure itself to support Mr Brown’s economic initiatives.

**994.** It was, however, clear that the PRT was not performing as well as it could. It also needed to respond to the priorities set out in Mr Brown’s 22 July statement to Parliament.

**995.** The Stabilisation Unit made 26 recommendations, of which one was highlighted in the review’s Executive Summary: the appointment of a full-time Head for the PRT. The Stabilisation Unit assessed that while the decision in 2007 to double-hat the Deputy Consul General as the Head of the PRT had been reasonable, the increased expectations on the PRT in the light of the improved security situation and from the US, and the increased willingness of Iraqi citizens to meet members of the PRT both on and off Basra Air Station, meant that “the PRT and PRT Head ... could and should be busier”. The double-hatting arrangement had led the US to express concern that the UK did not attach sufficient importance to the Basra PRT, and that the PRT was too concerned with delivering UK as opposed to coalition goals. The Stabilisation Unit concluded that the arrangement was no longer credible.

**996.** Maj Gen Salmon reported on 7 September that, together with Mr Haywood and the Head of the PRT, he had launched a re-orientated reconstruction programme with

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<sup>582</sup> Report Stabilisation Unit, 3 September 2008, ‘Review of the Basra Provincial Reconstruction Team’.

an initial focus on electricity, water, rubbish and sewage, designed to deliver tangible improvements in essential services and create jobs.<sup>583</sup> Resources would come from the US CMOG and the PRT, and delivery would be through task-based Joint Reconstruction Action Teams (JRATs). The JRATs would be under joint civilian-military leadership (each having a military head and civilian deputy head or vice versa), and would work with the appropriate Iraqi authorities.

**997.** Mr Keith MacKiggan arrived in Basra in late September 2008 to take up post as the Head of the Basra PRT.<sup>584</sup> His arrival signalled the end of the practice of double-hatting the Head of the PRT and the Deputy Consul General. He described the situation in Basra at that time:

“We were able to get out to meet ... clients, NGOs, officials in the local administration, local businesses and so on. Equally importantly, they were able to come and visit us because they no longer felt the fear they had previously of being associated with the Multi-National Force.

“It also meant that we could expand our capacity building work, both in a geographical sense and also in a functional sense ... we were now much more able to get beyond the city [Basra] to the furthest reaches of the province ... and dig below the level of the Provincial Council to the level of the local Councils and really start to stitch the different parts of the governance structures in Basra together.”

**998.** In their evidence to the Inquiry, Maj Gen Salmon, Mr Haywood and Mr MacKiggan agreed that the UK effort in Basra was well integrated during their time there.<sup>585</sup>

**999.** Maj Gen Salmon told the Inquiry that that integrated approach had emerged in the context of clear UK objectives (as set out in Mr Brown’s 22 July statement to Parliament) and a timetable for withdrawal, but in the absence of an overall UK strategic plan agreed in London.<sup>586</sup>

**1000.** Maj Gen Salmon described how the move to a more integrated approach had been driven by decisions in Basra:

“Well, we had a set of objectives. There was no comprehensive strategic plan that I ever saw. So what we decided to do – when I say ‘we’, that is the Consul General, the Head of the Provincial Reconstruction Team ... and to a certain extent the Head of US Regional Embassy Office ... [was] ensure that we had much more collective consensus, joined-up approach, because nobody was in charge.

“So that was the only way that we could think of working out what the strategy needed to be and how we were going to prosecute that strategy, run it, steer it,

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<sup>583</sup> Minute Salmon to CJO, 7 September 2008, ‘GOC MND(SE) Weekly Letter – 7 September 2008’.

<sup>584</sup> Public hearing, 7 January 2010, pages 1, 10-11.

<sup>585</sup> Public hearing, 7 January 2010, page 6; Public hearing, 20 July 2010, page 24.

<sup>586</sup> Public hearing, 20 July 2010, page 24 and 32.

effectively. So we basically got together and decided that's what we were going to do and worked it from there."<sup>587</sup>

**1001.** Maj Gen Salmon told the Inquiry that JRATs were one expression of that integrated approach, combining personnel from the PRT and MND(SE) working to a "common plan".<sup>588</sup>

**1002.** Lieutenant General Peter Wall, Deputy Chief of the Defence Staff (Commitments), updated the 11 September meeting of the ISG on the emerging plan for UK military drawdown and transition to US command in southern Iraq.<sup>589</sup> He said that:

- At the end of November 2008, command of Maysan, Muthanna and Dhi-Qar provinces would transfer to an expanded MND(C), under US command.
- At the end of March 2009, command of Basra would transfer to a new Basra-based US division, bringing UK forces there under US command.
- At the start of May 2009, US forces would begin to deploy to Basra.
- By the end of June 2009, the UK departure would be complete.

**1003.** Mr Brown and Mr Browne met the Chiefs of Staff and Sir Bill Jeffrey, MOD Permanent Secretary, on 18 September.<sup>590</sup> ACM Stirrup reported that "remarkable progress" had been made in Iraq over the past 18 months, though it was "fragile and reversible". In the South, the biggest risk was stalled economic progress.

**1004.** Mr Brown said that it would be important to have projects that helped with employment in place before the UK left Basra, and to establish a UKTI presence there. The main obstacle was not security but the business climate.

## Transition to a normal bilateral relationship with Iraq

**1005.** Mr Alexander visited Baghdad and Basra on 6 November.<sup>591</sup> The British Embassy Baghdad reported that, in his meeting with Mr Alexander, Prime Minister Maliki had continued to insist that the UK had done little for Basra, and questioned whether the Basra Development Forum had led to any tangible progress. Prime Minister Maliki welcomed Mr Alexander's assurances that the UK wanted to move towards a more normal bilateral relationship including closer economic, cultural and educational links.

**1006.** Mr Alexander also met Ambassador Crocker. The two men agreed that the US would take over the leadership of the Basra PRT as part of the UK/US transition in Basra

<sup>587</sup> Public hearing, 20 July 2010, pages 27-28.

<sup>588</sup> Public hearing, 20 July 2010, pages 34-35.

<sup>589</sup> Minute Cabinet Office [junior official] to McDonald, 15 September 2008, 'Iraq Strategy Group, 11 September'.

<sup>590</sup> Letter Catsaras to Rimmer, 18 September 2008, 'Prime Minister's Meeting with Defence Chiefs, 18 September'.

<sup>591</sup> eGram 45112/08 Baghdad to FCO London, 12 November 2008, 'Iraq: Visit by Secretary of State for International Development to Baghdad and Basra, 6 November'.

in 2009. Ambassador Crocker said that the US would value some continued UK support in a US-led PRT.

**1007.** Mr Alexander and Ambassador Crocker also agreed that the World Bank should be lobbied “at the highest levels” to increase its presence in Iraq.

**1008.** The Embassy also reported that Mr Alexander had set out DFID’s plans to withdraw from Basra in mid-2009 and move to a “whole of Iraq” approach, delivered through support to central Government, in line with Prime Minister Maliki’s wishes.

**1009.** In Basra, Mr Alexander attended the launch of the Basra Investment Commission – formerly known as the Basra Investment Promotion Agency (BIPA).

**1010.** The 7 November meeting of the ISOG discussed a draft post-drawdown strategy (in advance of an NSID(OD) discussion the following month).<sup>592</sup> The meeting asked for departments to take action on a number of issues, including:

“DFID to consider whether a presence only in Baghdad supported by a communications strategy and programme funding in the south, would be sufficient to sustain our legacy there, protect our reputation and ensure the US did not win credit for progress that we had engineered.”

**1011.** Mr Alexander wrote to Mr Brown on 20 November to provide an update on progress in Basra and to set out how he saw DFID’s role changing in the context of the UK’s “change of mission”.<sup>593</sup>

**1012.** He reported that DFID had already facilitated 18 investor visits by 14 companies, with proposals worth over US\$9bn submitted to, but not yet processed by, the Iraqi Government. The Iraqi Government’s inability to process those proposals was the main obstacle to international investment in Basra.

**1013.** DFID’s infrastructure projects would be completed by the end of 2008, and its work with the Basra provincial administration would come to a “natural conclusion” by mid-2009. The key to achieving a positive legacy for the UK was securing inward investment. Given that the key obstacles to such investment were in central Government, DFID would focus its effort there. That was in line with Prime Minister Maliki’s wish for the UK to support the whole of Iraq, not just Basra.

**1014.** Mr Wareing visited Basra in late November, to launch the Basra Economic Development Strategy.<sup>594</sup>

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<sup>592</sup> Minute Cabinet Office [junior official] to Aldred, 10 November 2008, ‘Iraq Senior Officials Group, 7 November’.

<sup>593</sup> Letter Alexander to Brown, 20 November 2008, [untitled].

<sup>594</sup> Minute Cabinet Office [junior official] to Prime Minister, 28 November 2008, ‘[redacted] Iraq: Update’.

**1015.** Mr Brown met ACM Stirrup on 4 December for a “personal and confidential” discussion.<sup>595</sup> On Iraq, Mr Brown said that it would be important for the UK to show that the withdrawal of UK troops was happening because the UK had completed all the tasks it had set out. A “last push” on economic development was needed, along with a communications plan for the next few weeks.

**1016.** The 9 December meeting of NSID(OD) discussed a Cabinet Office paper on arrangements for transition in Iraq.<sup>596</sup> The paper, which is considered in detail in Section 9.7, included an annex listing the components of the UK’s future bilateral relationship with Iraq and how they would be resourced. In addition to the diplomatic/political and defence relationships, the components were:

- “Economic/development: Influence Iraqi economic policy, including improving the climate for foreign investment, help improve World Bank and IMF engagement in Iraq, capacity-building on public finance management, continued support for the Prime Minister’s [Mr Brown’s] economic initiatives and support to other departments’ work on investment, trade and higher education.” Work would be funded from DFID’s existing Iraq programme (£20m in 2009/10 and £10m in 2010/11) and, potentially, from the Stabilisation Aid Fund. Staffing levels would be established according to programme needs, with all in-country staff based in Baghdad.
- “Energy: ensure security of Iraq’s oil supply and long-term increase in oil output through political lobbying on hydrocarbons legislation and national energy policy and regional support.” Work would be undertaken primarily by FCO staff.
- “Commercial: support for trade missions, UK investor visits and political lobbying to ensure a level playing field for UK experts/investors.” A new, short-term International Business Specialist would provide recommendations in early 2009 on exactly what resources were needed.
- “Educational: increased collaboration with Iraqi educational institutions, civil society, student exchanges and English language training, to be funded by the British Council.”

**1017.** At the meeting, Mr Brown outlined “strong progress” on the UK’s four key tasks (training the Iraqi Army, promoting economic development, readying Basra Airport for transfer to Iraqi control and preparing for provincial elections).<sup>597</sup>

**1018.** Mr Brown concluded that more should be done to improve economic development and prospects for investment, including with ministries in Baghdad. A visit by Lord Mandelson, Secretary of State for Business, Enterprise and Regulatory Reform, would be welcome. It would also be important to make progress with the Hydrocarbons Law.

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<sup>595</sup> Letter Catsaras to Rimmer, 4 December 2008, ‘Prime Minister’s Meeting with Chief of Defence Staff, 4 December’.

<sup>596</sup> Paper by Cabinet Office Officials, 8 December 2008, ‘Iraq: Arrangements for Transition’.

<sup>597</sup> Minutes, 9 December 2008, NSID(OD) meeting.

Mr Brown would raise those points with Prime Minister Maliki when he visited Iraq later in the month.

**1019.** NSID(OD) agreed that agreement to the UK's new Long-Term Strategy for Iraq would be sought out of committee.

**1020.** Following the NSID(OD) meeting, and in advance of Mr Brown's visit to Iraq, a DFID official wrote to No.10 detailing four investment proposals, together worth over US\$5bn, which were currently awaiting agreement from the Iraqi Government.<sup>598</sup> The letter did not state why there had been a delay in agreeing the proposals.

**1021.** Mr Brown met Prime Minister Maliki in Baghdad on 17 December.<sup>599</sup> Prime Minister Maliki repeated his call for a wider long-term relationship, including investment and economic co-operation, and stronger cultural and educational links. He added that UK companies should invest in all Iraq, not just Basra. Mr Wareing briefed Prime Minister Maliki separately on the main investment proposals for Basra and handed over DFID's letter detailing the investment proposals awaiting an Iraqi Government response.

**1022.** Mr John Tucknott, Deputy Head of Mission British Embassy Baghdad from November 2007 to July 2009, described the change in the UK's relationship with Iraq and the challenge it presented to the UK Government:

"I think Basra remained important ... but the messaging that was coming out of London, which we were conveying to the Iraqis, was that we wanted to move, and this was the message that Gordon Brown gave to Maliki in December 2008 when he visited. You know, we are talking about a whole Iraq policy now. We want to do things with you which we haven't been able to do before. We want to move on to a proper footing ... a less military footing.

"The problem that we had in the Embassy was persuading some parts of Whitehall, some Government departments, to recognise that we were moving to this, that we wanted to increase trade, that it was important that visas were issued to students. Part of Prime Minister Maliki's education scheme was to send 10,000 postgraduates or undergraduates to go to overseas universities to study. We need to provide a proper visa regime, not the one that we cobbled together.

"So that was a difficulty we faced, actually getting that message out to the wider Whitehall machinery, that Iraq is moving forwards, and if we want to play an important role in this process, we had to move with it.

"Messages did get through in the end. We have got a trade and investment section now ... poor old DFID were doing their best in their absence ..."<sup>600</sup>

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<sup>598</sup> Letter DFID [junior official] to Fletcher, 12 December 2008, [untitled].

<sup>599</sup> Letter Catsaras to Gould, 18 December 2008, 'Prime Minister's Meeting with Iraqi Prime Minister, 17 December'.

<sup>600</sup> Public hearing, 24 June 2010, pages 116 and 117.

**1023.** Section 10.3 describes the growing pressure on UKTI from spring 2008 to post a Commercial Officer to Baghdad, in response to the increased interest in Iraq from UK companies.

**1024.** Mr Brown's Assistant Private Secretary wrote to Mr Richard Abel, Mr Mandelson's Principal Private Secretary, on 18 December informing him that Mr Brown believed, following his visit to Iraq the previous day, that there were opportunities in Iraq and interest from British companies that were not being exploited.<sup>601</sup> Mr Brown was convinced that there was an urgent need for a significant UKTI presence in both Baghdad and Basra, both to consolidate security gains and to ensure that UK investors had every chance to benefit from commercial opportunities in Iraq. Mr Brown asked UKTI to start planning immediately for a long-term presence in Iraq, consulting Mr Wareing and DFID.

**1025.** Mr Abel replied to No.10 on 16 January 2009, advising that an International Business Specialist would deploy to Iraq later that month and would make recommendations on UKTI's future footprint in Iraq by the end of March.<sup>602</sup> Mr Abel added: "There will be no gap in our commercial representation in Iraq."

**1026.** The International Business Specialist arrived in Baghdad at the end of January.<sup>603</sup> He was joined by a second UKTI consultant on 12 February.<sup>604</sup>

**1027.** Iraqi authorities took control of Basra Airport in January 2009; transferring control of the airport by the end of 2008 had been one of the UK's key goals for 2008. 903 Expeditionary Air Wing had operated Basra Airport since 2003.<sup>605</sup>

**1028.** Mr Brown was informed on 14 December 2008 that the transfer of control was "effectively completed".<sup>606</sup> Since July, the Iraqi civil authorities at Basra Airport had taken on control of air-traffic control, the airport fire brigade, and other services. The final stage would be a formal transfer of legal responsibility for Basra Airport to the Iraqi Government.

**1029.** Control of Basra Airport was formally transferred to the Iraqi Government on 1 January 2009.<sup>607</sup>

**1030.** During the period that Basra Airport was operated by the UK military, it received significant funding from a variety of military and civilian sources (including US CERPs and the UK's Stabilisation Aid Fund). The Inquiry has not been able to form

<sup>601</sup> Letter APS/Prime Minister to Abel, 18 December 2008, 'UKTI presence in Iraq'.

<sup>602</sup> Letter Abel to Catsaras, 16 January 2009, untitled.

<sup>603</sup> Report DFID, 1 February 2009, 'Weekly Update: 1<sup>st</sup> February 2009'.

<sup>604</sup> Report DFID, 15 February 2009, 'Weekly Update: 15<sup>th</sup> February 2009'.

<sup>605</sup> Report Salmon, 15 May 2009, 'COMUKAMPHIBFOR OP TELIC 12/13 (HQ MND(SE) Post Operational Report (POR))'.

<sup>606</sup> Minute Lyon to Prime Minister, 14 December 2008, 'Visit to Iraq, 17 December'.

<sup>607</sup> Report Salmon, 15 May 2009, 'COMUKAMPHIBFOR OP TELIC 12/13 (HQ MND(SE) Post Operational Report (POR))'.

a comprehensive picture of the support provided to Basra Airport by the UK and other international partners.

### Long-Term Strategy for Iraq, February 2009

**1031.** Mr Miliband's Private Secretary circulated a draft strategy for "UK policy towards and relations with Iraq following military drawdown" to No. 10 and the Private Offices of NSID(OD) Ministers on 13 January 2009.<sup>608</sup> The draft strategy had been agreed by officials from all interested departments and by Mr Miliband.

**1032.** The draft strategy, which is described in detail in Section 9.7, stated that the UK had a "strategic national interest in a strong, stable and non-hostile Iraq that:

- acts in accordance with international law and does not threaten its neighbours;
- provides a counterweight against Iran, ideally as a pro-Western state ...;
- is able to deny AQ-I [Al Qaida in Iraq] and other terrorist groups a safe haven in its national territory;
- contributes positively to stable world energy markets by maximising its potential as a producer and exporter of oil and gas, and increases EU energy security through developing new supply routes."

**1033.** The draft strategy identified a number of "essential" and "highly desirable" factors for achieving the UK's strategic interest of a "strong, stable and non-hostile Iraq". The essential factors included a "functioning economy", which would require agreement on the Hydrocarbons Law. Highly desirable factors included:

- that Iraq should be "a broadly democratic state";
- that Iraq should address critical humanitarian issues, in particular the large number of refugees and displaced people; and
- that Iraq should develop a strong and open market economy.

**1034.** The draft strategy listed a number of elements of a future Iraq/UK relationship, including:

- Economic: the UK would help build Iraqi capacity to deliver economic growth and opportunity (DFID to lead).
- Energy: the UK would help Iraq to bring greater volumes of oil and gas to the market (FCO and the Department of Energy and Climate Change (DECC) to lead, with MOD).
- Commercial: the UK should ensure a level playing field for UK firms in Iraq (UKTI/FCO to lead).
- Education and culture: increased educational and cultural exchanges would underpin other elements of the relationship.

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<sup>608</sup> Letter Hickey to Catsaras, 13 January 2009, 'Iraq: Strategy', attaching Paper [draft], [undated], 'Iraq: a Review of Strategy'.



**1035.** The draft strategy stated that much of DFID’s work in Basra would come to a “natural conclusion” by mid-2009. DFID would respond to changing conditions on the ground, but anticipated “drawing down from Basra” by that date. It would continue to provide some support to programmes through the Basra Support Office in Baghdad. DFID resources for Iraq would reduce from £25m in the current financial year (2008/09) to £20m in 2009/10 and £10m in 2010/11.

**1036.** The Stabilisation Aid Fund (SAF) and the FCO’s Peace-Keeping Budget (PKB) were essential sources of funding for UK programmes in Iraq. There was unlikely to be any PKB funding for Iraq in 2009/10. MOD, DFID and FCO officials were reprioritising the £15m SAF allocation for Iraq for 2009/10, to support “initiatives which support key Prime Ministerial deliverables” and the Rule of Law.

**1037.** Mr Alistair Darling, Chancellor of the Exchequer, Mr John Hutton, the Defence Secretary, and Mr Alexander confirmed their agreement to the strategy.<sup>609</sup>

**1038.** Mr Donal Brown informed the 4 February meeting of the ISG that the US would take over the Basra PRT on 31 March.<sup>610</sup> The US had agreed to retain programmes that were important to UK objectives.

**1039.** On 9 February, Mr Brown’s Assistant Private Secretary told the Private Secretaries to Mr Miliband and Lord Mandelson that Mr Brown had endorsed the strategy, which was consistent with the approach described to Parliament on 18 December.<sup>611</sup>

**1040.** Mr Brown remained “keen to ensure maximum savings as we move to a normal bilateral relationship”, but agreed that:

“... the UK will retain an important strategic interest in the emergence of a stable and prosperous Iraq, able to contribute to regional stability and global energy security; and that we will have important bilateral interests in Iraq which need to be secured and promoted ...

“In particular, the Prime Minister continues to believe that improving trade and investment in Iraq is key both to consolidating the security gains that have been made, and ensuring UK investors are able to benefit from the opportunities in Iraq ... We also need to ensure that investors in Basra continue to be supported as our military hands over to US.”

**1041.** A planned visit by Prime Minister Maliki to the Invest Iraq Conference in London at the end of April would be “an important milestone for showcasing progress in the transition to a new relationship with Iraq”.

<sup>609</sup> Letter Jordan to Hickey, 26 January 2009, ‘Iraq Strategy’; Letter Ferguson to Catsaras, 29 January 2009, ‘Iraq: Strategy’; Letter Wright to Catsaras, 5 February 2009, ‘Iraq Strategy’.

<sup>610</sup> Record, 4 February 2009, Iraq Strategy Group meeting.

<sup>611</sup> Letter Catsaras to Hickey and Abel, 9 February 2009, ‘Iraq Strategy’.

**1042.** Lord Mandelson visited Iraq on 6 April, at the head of a delegation of 23 companies.<sup>612</sup> The objectives of the visit included:

- underlining the UK's commitment to building a new broad-based, long-term partnership with Iraq, with a strong emphasis on economic and trade co-operation;
- countering Iraqi complaints (from Prime Minister Maliki and others) about the lack of interest from UK business, while assisting the business delegation to build contacts with Iraqi Ministers and members of the Iraqi business community; and
- supporting UK companies pursuing business in Iraq.

**1043.** In Baghdad, Lord Mandelson and the delegation met Prime Minister Maliki.<sup>613</sup> Mr Prentice reported that the meeting had been “entirely positive” and a “powerful demonstration of the new civilian focus to our bilateral relationship”.

**1044.** In Basra, Lord Mandelson and the delegation attended an investment conference at Basra Airport.<sup>614</sup> Mr Haywood reported that the event had been “timed perfectly” so that the UK could “demonstrate that whilst the military were drawing down, the UK's commitment to Basra continued”. The mood at the event had been “optimistic”, reflecting the mood in Basra: recent polling showed that over 80 percent of Basrawi businesses thought that the economic environment had improved over the past year and would continue to improve.

**1045.** The Iraqi National Investment Commission, with support from DFID, hosted the Invest Iraq Conference in London on 30 April.<sup>615</sup> Mr Prentice described the Conference as the UK's “headline initiative ... demonstrating in a practical way our desire for a new and normalised bilateral relationship”.

**1046.** Mr Brown made a statement to Parliament on the UK's involvement in Iraq on 15 June.<sup>616</sup> He reported that the objectives set out in his statement of 18 December, including “to promote the reconstruction of the country, economic growth and basic services”, “were being achieved”. On reconstruction, Mr Brown said:

“Since 2003, the UK has spent more than £500m in Iraq – for humanitarian assistance, infrastructure and promoting economic growth. Support to the health sector has included 189 projects in Basra, including the refurbishment of Basra general hospital and the building of Basra children's hospital. As a whole, the

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<sup>612</sup> Briefing, [undated], ‘Visit of the Rt Hon Lord Mandelson to Bahrain, Kuwait, Iraq, Abu Dhabi and Dubai, 5 – 8 April 2009’.

<sup>613</sup> eGram 12764/09 Baghdad to FCO, 8 April 2009, ‘Iraq: Lord Mandelson's Visit to Baghdad, 06 April 2009’.

<sup>614</sup> eGram 12607/09 Basra to FCO London, 7 April 2009, ‘Iraq: Lord Mandelson's Visit to Basra, 6 April’.

<sup>615</sup> eGram 15041/09 Baghdad to FCO London, 28 April 2009, ‘Iraq: Invest Iraq Conference, London – 30 April – 1 May’.

<sup>616</sup> House of Commons *Official Report*, 15 June 2009, columns 21-23.

international community has rehabilitated more than 5,000 schools. Despite high unemployment and the scale of the global recession, economic growth in Iraq this year is predicted to be nearly seven percent.

“Significant challenges remain, including that of finding a fair and sustainable solution to the sharing of Iraq’s oil reserves, but Iraq’s future is now in its own hands ...

“At the core of our new relationship ... will be the diplomatic, trading and cultural links that we are building with the Iraqi people, supporting British and other foreign investors who want to play a role in the reconstruction of southern Iraq.”

## Resources available for reconstruction

**1047.** The table below sets out UK expenditure on humanitarian assistance and development assistance (reconstruction) by UK financial year.

Table 2: UK expenditure on humanitarian and development assistance (£m)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total
<b>Humanitarian and development assistance</b> <sup>621</sup>									
Humanitarian assistance	19	110	21	5	10	20	16	8	209
Development assistance		99	27	82	39	20	17	13	297
Imputed share of multilateral aid		11	11	6	14	9	14	8	73
<b>Sub-total</b>	<b>19</b>	<b>220</b>	<b>59</b>	<b>93</b>	<b>63</b>	<b>49</b>	<b>47</b>	<b>29</b>	<b>579</b>

**1048.** DFID provided £297m for reconstruction and a further £209m for humanitarian assistance in Iraq between 2002/03 and 2009/10. Iraq was DFID’s largest bilateral programme in 2003/04, when DFID spent a total of £220m. That included a £110m contribution to the humanitarian relief effort following the invasion and a £70m contribution to the World Bank and UN Trust Funds (which would be spent by the World Bank and UN in subsequent years). The size of DFID’s programme decreased over the following years.

**1049.** In addition, UK forces in MND(SE) spent £38m from UK funds on Quick Impact Projects (QIPs).<sup>618</sup>

**1050.** It is not possible, from the information available to the Inquiry, to produce a definitive breakdown of the allocation of DFID funding between national programmes and programmes in the South. The Inquiry calculates that, from 2003/04 to 2007/08,

<sup>617</sup> Letter Cabinet Office [junior official] to Aldred, 1 July 2011, ‘Iraq Inquiry: request for further information on funding’.

<sup>618</sup> Paper DFID, January 2010, ‘DFID Non-Humanitarian Spend by Region’.

between 76 percent and 52 percent of DFID funding was allocated to programmes in the South.<sup>619</sup> DFID's expenditure in the South peaked in 2005/06.

**1051.** UK forces also had access to significant amounts of US funding from the Commander's Emergency Response Program (CERPs) to spend on urgent relief and reconstruction needs.

**1052.** The Government has not been able to provide a full breakdown of the amount of CERPs funding used by UK military commanders, but it appears to have been greater than the total amount provided by the UK for reconstruction. The US allocated US\$66m from CERPs to MND(SE) in 2005/06.<sup>620</sup> In the same year, in MND(SE), DFID spent some £35m on infrastructure and job creation<sup>621</sup> and the MOD spent £3m on QIPs.<sup>622</sup>

**1053.** By April 2009, the US had spent or allocated to ongoing projects US\$351m from CERPs in MND(SE), and spent or allocated to ongoing projects some US\$3.3bn from all sources in MND(SE).<sup>623</sup> Over the same period, in MND(SE), DFID spent at least £100m<sup>624</sup> and the MOD spent £38m on QIPs.<sup>625</sup>

**1054.** UK funding was also available for Iraq from the Global Conflict Prevention Pool (and subsequently the Stabilisation Aid Fund and the Conflict Pool). Most of that funding was allocated to Security Sector Reform (see Section 12). The table below sets out expenditure from the Pools.

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<sup>619</sup> Calculation excludes DFID funding for humanitarian assistance, the World Bank and UN Trust Funds, and programme support cost such as security, accommodation and communications. It is not possible to produce a reliable estimate of the proportion of the funding provided for those purposes that related to the South.

<sup>620</sup> Briefing, October 2006, 'PQ06267S: CERP Funds FY06 (1 Oct 05 – 30 Sep 06)'.

<sup>621</sup> Calculation excludes DFID funding for humanitarian assistance, the World Bank and UN Trust Funds, and programme support cost such as security, accommodation and communications. It is not possible to produce a reliable estimate of the proportion of the funding provided for those purposes that related to the South.

<sup>622</sup> Paper DFID, January 2010, 'DFID Non-Humanitarian Spend by Region'.

<sup>623</sup> Special Inspector General for Iraq Reconstruction, *Quarterly Report and Semiannual Report to the US Congress*, 30 July 2009.

<sup>624</sup> Calculation excludes DFID funding for humanitarian assistance, the World Bank and UN Trust Funds, and programme support cost such as security, accommodation and communications. It is not possible to produce a reliable estimate of the proportion of the funding provided for those purposes that related to the South.

<sup>625</sup> Paper DFID, January 2010, 'DFID Non-Humanitarian Spend by Region'.

Table 3: UK expenditure from the Conflict Pools (£m)

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total
<b>Interdepartmental Conflict Pools<sup>630</sup></b>									
GCPP		5	16	15	20	16			72
Stabilisation Aid Fund							19		19
Conflict Pool								11	11
<b>Total</b>		<b>5</b>	<b>27</b>	<b>32</b>	<b>35</b>	<b>22</b>	<b>26</b>	<b>12</b>	<b>159</b>

**1055.** SIGIR reported in July 2009 that, as at June 2009, a total of nearly US\$140bn had been allocated for the relief and reconstruction of Iraq.<sup>627</sup> That comprised:

- US\$71bn from Iraqi capital budgets and the Development Fund for Iraq (DFI);
- US\$52bn from the US; and
- US\$17bn from other international donors.

**1056.** The US allocation included US\$21bn from the Iraq Relief and Reconstruction Fund (IRRF), US\$18bn from the Iraq Security Forces Fund, US\$4bn from the Economic Support Fund and US\$3.6bn from the CERPs.

## Reflections on the impact of the UK's reconstruction effort

**1057.** From the available information, it is not possible fully to assess the impact of the UK's reconstruction effort.

**1058.** One difficulty is that the Government never defined what contribution reconstruction should make to achieving broader UK objectives and so what would constitute success or failure.

**1059.** The environment in Iraq made reconstruction very difficult. For almost all of the period covered by the Inquiry, insecurity was the major constraint. Other constraints were:

- the lack of capacity within the Iraqi Government, both in Baghdad and the South, to support and lead reconstruction;
- the form and implementation of de-Ba'athification;
- the politicisation of Iraqi institutions, and corruption;
- the series of relatively short-lived Iraqi administrations between 2004 and 2006 (with limited remits to initiate reform and an inevitable churn of Ministers and senior officials);

<sup>626</sup> Letter Cabinet Office [junior official] to Iraq Inquiry [junior official], 1 December 2011, 'Iraq Inquiry: Funding'.

<sup>627</sup> Special Inspector General for Iraq Reconstruction, *Quarterly Report and Semiannual Report to the US Congress*, 30 July 2009.

- an international community which, because of the circumstances of the invasion, was not fully invested in the reconstruction of Iraq; and
- the persistent lack of co-ordination between the Iraqi Government and international partners, and between international partners.

**1060.** Staff and contractors developed a number of approaches to managing the risks inherent in working in such an environment:

- using innovative techniques to deliver projects, such as working through local Iraqi contractors, using the military (who were more frequently able to visit project sites) to manage and monitor projects, and helping the Ministry of Finance to set up an office inside the International Zone in Baghdad within which international consultants could work;
- systematically tracking poor performance;
- adapting delivery methods to reduce fiduciary risk; and
- building clear exit strategies into projects, including dedicating significant effort to bringing in other donors.

**1061.** The Inquiry recognises the dedication and skill of the staff and contractors who worked in Iraq, often in discomfort and at personal risk.

**1062.** Witnesses to the Inquiry and contemporary documents identify three areas in particular where the UK had made a significant contribution to Iraq's reconstruction:

- building Iraqi capacity at the centre of government (including the Prime Minister's Office and the Cabinet Office), and strengthening the linkages between Baghdad and the provinces;
- building the capacity of the provincial administration in Basra; and
- building the capacity of successive Iraqi Governments to manage the economy (including the launch of a new Iraqi currency in 2003) and engage effectively with the IMF.

**1063.** The Inquiry met a number of senior Iraqi politicians and officials, and asked them for their views on the UK's reconstruction effort. DFID's focus on building Iraqi Government capacity to plan and manage was recognised and welcomed. That was contrasted with short-term activities, including building schools and hospitals, which Iraq could do for itself.

**1064.** In Basra, the Inquiry was told that there was little to show for the UK's reconstruction effort. A small number of projects were identified as continuing to have a positive impact, including:

- training in the UK delivered by the PRT;
- job creation programmes supported by DFID; and
- improvements to the sewerage system supported by the UK military.

## Key economic and social indicators

**1065.** It is possible to consider the impact of the international community's reconstruction efforts in Iraq by looking at the changes in a number of key indicators. The table below presents selected economic and social indicators.

**1066.** In relation to the economy:

- Electricity production fell from around 4,000 megawatts (MW) per day before the invasion to 500MW in May 2003 (immediately after the invasion), before recovering to around 4,000MW in June 2004 (the transition to a sovereign Iraqi Government).<sup>628</sup> By July 2009, production was around 6,000MW.
- Oil production fell from around 2.9m barrels a day (bpd) before the invasion to around 0.3m bpd in May 2003, before recovering to 2.3m bpd by June 2004. By 2009, production remained below pre-conflict levels.

**1067.** The under-five mortality rate fell from 42 to 38 (per 1,000 live births) between 2003 and 2009. Other key social indicators remained stable.

**1068.** Perceptions of corruption in Iraq worsened between 2003 and 2009. Iraq fell from 113th out of 133 countries surveyed for Transparency International's Corruption Perceptions Index in 2003, to 176th out of 180 countries surveyed in 2009.

**1069.** The UN's 2009 Common Country Assessment concluded that, while Iraq had fulfilled its constitutional mandate requiring 25 percent of Parliamentary seats to be filled by women, women remained under-represented at higher levels within the public sector and government.<sup>629</sup> Women also had higher illiteracy levels than men, participated in smaller numbers in the labour force, were paid less and were segregated into certain occupations. A disproportionate number of households in poverty were headed by women.

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<sup>628</sup> Brookings, Iraq Index, *Electricity*.

<sup>629</sup> UN, 2009, *Common Country Assessment: Iraq*.

Table 4: Iraq: selected economic and social indicators

	1989	2002	2003	2004	2009
GDP at market prices (current US\$bn) <sup>634</sup>	65.6	n/a	n/a	36.6	111.7
GDP per capita GDP (current US\$) <sup>635</sup>	3,850	n/a	n/a	1,391	3,725
Electricity production (megawatts) <sup>636</sup>		3,958	500 – 3,456	4,030	5,700
Oil production (million barrels per day) <sup>637</sup>	2.90	2.02	1.31	2.01	2.39
Under-five mortality rate <sup>638</sup>	55	43	42	42	38
Primary school enrolment, both sexes (%) <sup>639</sup>	90	n/a	94	93	92
Employment (%) <sup>640</sup>	43	43	43	43	44
Corruption <sup>641</sup>	n/a	n/a	113/133	129/146	176/180

<sup>630</sup> World Bank, Data, [April 2016], *Iraq: GDP at market prices (current US\$)*.

<sup>631</sup> World Bank, Data, [April 2016], *Iraq: GDP per capita (current US\$)*.

<sup>632</sup> Brookings, Iraq Index, *Electricity*. Figure for 2002 is a estimated pre-war level.

<sup>633</sup> US Energy Information Administration website. *Iraq Crude Oil Production by Year*.

<sup>634</sup> World Bank, Data, [April 2016], *Iraq: Mortality rate, under-5 (per 1,000)*. Under-5 mortality rate is a leading indicator of the level of child health and overall development in countries.

<sup>635</sup> World Bank, Data, [April 2016], *Iraq: Net enrolment rate, primary, both sexes (%)*. Figure for 2009 relates to 2007 survey.

<sup>636</sup> World Bank, Data, [April 2016], *Iraq: Labor force participation rate, total (% of total population ages 15-64)*.

<sup>637</sup> Transparency International, *Corruption Perceptions Index (CPI)*. Iraq was not included in the CPI before 2003. The CPI draws on multiple data sources.



## SECTION 10.3

# RECONSTRUCTION: OIL, COMMERCIAL INTERESTS, DEBT RELIEF, ASYLUM AND STABILISATION POLICY

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## Introduction

1. Section 10 addresses the UK contribution to humanitarian assistance and reconstruction in Iraq between 2003 and 2009:

- Section 10.1 covers the period between March 2003 and the end of the Occupation of Iraq in June 2004.
- Section 10.2 continues the story from July 2004 to 2009.

2. Sections 10.1 and 10.2 consider:

- humanitarian assistance;
- the development and implementation of UK reconstruction policy, strategy and plans;
- the UK's engagement with the US on reconstruction, including with the US-led Office of Reconstruction and Humanitarian Assistance (ORHA) and the Coalition Provisional Authority (CPA); and
- the UK's engagement with successive Iraqi Governments on reconstruction.

3. Section 10.3 addresses five issues in more detail:

- UK policy on Iraq's oil and oil revenues;
- the Government's support for UK business in securing reconstruction contracts;
- debt relief;
- asylum; and
- reform of the Government's approach to post-conflict reconstruction and stabilisation.

4. Those issues are addressed separately from the main reconstruction narrative, in order to provide a clearer account of the development of the UK's engagement.

5. This Section does not consider:

- planning and preparing to provide humanitarian assistance and reconstruction, which is addressed in Sections 6.4 and 6.5;
- the financial and human resources available for post-conflict reconstruction, addressed in Sections 13 and 15 respectively;
- de-Ba'athification and Security Sector Reform, addressed in Sections 11 and 12 respectively; or
- wider UK policy towards Iraq in the post-conflict period, addressed in Section 9.

## UK policy on Iraq's oil and oil revenues

### Iraq oil reserves, production and export

6. A January 2002 Ministry of Defence (MOD) Defence Intelligence Service (DIS) report on Iraq's infrastructure stated that Iraq held the second largest proven oil reserves in the world at approximately 115bn barrels, equating to 11 percent of total world oil reserves.<sup>1</sup> It also held two percent of total world gas reserves. There were potentially larger reserves as many areas were underdeveloped.

7. The report estimated that crude oil production was approximately 2.8m barrels per day (bpd). Of that, Iraq exported approximately 2.4m bpd under the Oil-for-Food (OFF) programme.

8. The report also stated that Iraq's oil and gas infrastructure was in a generally poor state of repair.

9. A November 2002 Trade Partners UK (TPUK) paper advised that:

“... exploration in Iraq is relatively immature and yet-to-find (YTF) reserves have been estimated at between 50[bn] and 200bn barrels of oil. This magnitude of YTF reserves is unmatched anywhere in the world.

...

“Based on these reserves Iraq has the potential to be an extremely important future player in the supply of oil and gas to world markets ...

“Despite the vast sums required to develop Iraq's reserves, there is a great deal of interest from International Oil Companies to become involved in this [investment in Iraq's oil infrastructure]. This is based on the fact that, although modern technologies will be required to undertake the work, Iraq's reserves are considered amongst the cheapest in the world to develop, driven by having large, onshore fields with simple geological structure.”<sup>2</sup>

10. Iraqi oil production and revenues from oil exports for selected years between 1989 and 2009 are set out in Table 1, later in this Section.

<sup>1</sup> Paper DIS, 18 January 2002, 'Infrastructure Briefing Memorandum: Iraq'.

<sup>2</sup> Paper TPUK, 29 November 2002, 'Note for Sir David Manning on UK Oil Company Interests in Iraq'.

### The Oil-for-Food (OFF) Programme

The OFF programme was established by resolution 986 in April 1995.<sup>3</sup> Implementation began in May 1996 after the signing of a Memorandum of Understanding between the UN and the Iraqi Government.

The programme allowed for:

- the export of Iraqi oil;
- the deposit of oil revenues into a UN-controlled account; and
- the use of those revenues to procure food, medicine and other goods approved by the UN.

Under the UN sanctions regime, the OFF programme was the only legal way to export Iraqi oil.

In the period running up to the invasion of Iraq, the UK assessed that 60 percent of Iraqi people relied on supplies distributed under the OFF programme.<sup>4</sup>

### UK energy security interests, 2001 to 2002

**11.** Sections 1.1 and 1.2 describe the increasing challenges from 1999 to the US/UK policy for the containment of Iraq.

**12.** In January 2001, the Foreign and Commonwealth Office's (FCO's) Middle East Department drew up an internal paper for a meeting of the FCO Policy Board, which reassessed the UK's "fundamental interests" in relation to Iraq and recommended a new approach to promoting them.<sup>5</sup> The UK's interests were identified as:

- regional stability, including through the non-proliferation of Weapons of Mass Destruction (WMD);
- energy security: the region accounted for 33 percent of the world's oil production and 66 percent of world oil reserves;
- a "level playing field" for UK companies: at its peak, UK trade with Iraq was US\$500m a year;
- preserving the credibility and authority of the UN Security Council;
- maintaining the coherence of UK policy, including on human rights, adherence to UN Security Council resolutions, and non-proliferation;
- improving the humanitarian and human rights situation in Iraq;
- avoiding a US/UK split; and
- reducing the UK's isolation in the European Union (EU).

<sup>3</sup> Office of the Iraq Programme: Oil-for-Food website, [undated], *About the programme*.

<sup>4</sup> Letter Short to Blair, 14 February 2003, 'Iraq: Humanitarian Planning and the Role of the UN'.

<sup>5</sup> Paper FCO, January 2001, 'Iraq: A Fresh Look at UK Interests'.

**13.** Sections 3.1 and 3.2 describe how, following the attacks on the US by Al Qaida on 11 September 2001, the US moved away from pursuing a policy of containment and towards a policy of taking direct action against Iraq, and the UK's response to that shift.

**14.** In February 2002, No.10 commissioned a "large number of papers" for the meeting between President Bush and Mr Blair at Crawford, Texas, which was scheduled to be held in early April.<sup>6</sup>

**15.** Those papers included:

- “• **Iraq** ... the options, the state of play on the UN Resolutions, the legal base and the internal dimension – the state of the opposition groups etc.  
...
- **Oil and energy** ... who are the producers, which states are Europe and the US most dependent on, the state of play in developing countries with oil reserves, pipelines ...”<sup>7</sup>

**16.** The Cabinet Office's 'Iraq: Options Paper', which is described in detail in Section 3.2, identified two broad policy options:

- toughen the existing containment policy, or
- seek regime change.<sup>8</sup>

**17.** The paper defined the current objectives of UK policy towards Iraq, and set them within the context of the broader UK objectives of "preserving peace and stability in the Gulf and ensuring energy security".

**18.** Apart from that reference to energy security, the paper did not consider oil or energy security.

**19.** The FCO's Forward Strategy Unit (FSU) produced a paper on the security of global oil supply which considered a number of risks to the supply of oil, including a "sustained Allied attack on Iraq".<sup>9</sup> The paper concluded:

- “• Any step increase in price likely to be unsustainable.
- Sufficient production and substantial spare capacity in other oil producing countries to meet demand.”

**20.** The Options Paper and the FSU paper were submitted to Mr Blair on 8 March 2002 alongside seven other "background briefs that you asked for", for the meeting with President Bush.<sup>10</sup>

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<sup>6</sup> Public hearing, 19 January 2011, page 34.

<sup>7</sup> Minute McKane to Manning, 19 February 2002, 'Papers for the Prime Minister'.

<sup>8</sup> Paper Cabinet Office, 8 March 2002, 'Iraq: Options Paper'.

<sup>9</sup> Paper FSU, March 2002, 'Paper on Security of Supply of Oil'.

<sup>10</sup> Minute Manning to Prime Minister, 8 March 2002, 'Briefing for the US'.

**21.** Mr Blair sent a minute to Mr Jonathan Powell, his Chief of Staff, on 17 March setting out three points in response to the briefing papers that he had received:

- “(1) In all my papers I do not have a proper worked-out strategy on how we would do it. The US do not either, but before I go [to Crawford], I need to be able to provide them with a far more intelligent and detailed analysis of a game plan ...
- (2) The persuasion job on this seems very tough ...
- (3) Oil prices. This is my big domestic worry. We must concert with the US to get action from others to push the price back down. Higher petrol prices really might put the public off.”<sup>11</sup>

A copy of the minute was sent to Sir David Manning, Mr Blair’s Foreign Policy Adviser and Head of the Overseas and Defence Secretariat (OD Sec) in the Cabinet Office.

**22.** Asked to clarify what “it” was that required a proper worked-out strategy, Mr Blair told the Inquiry: “How we would either get Saddam to cease being a threat peacefully or to get him out by force.”<sup>12</sup>

**23.** Mr Michael Arthur, FCO Economic Director, sent Sir David a paper on the economic effects of military action against Iraq on 26 March.<sup>13</sup> Mr Arthur assessed that:

“Iraq produces c2.5m bpd, a bit over 3 percent of world supply. Military action may well lead to a reduction or cut-off in its exports either directly or by way of Iraqi retaliation.

“There is likely to be an immediate spike in oil prices ... provided the conflict does not spill over into the Gulf and threaten the flow of supplies through the Straits of Hormuz – the spike could be very short-lived.”

**24.** A protracted, regional conflict would pose a more serious threat to oil prices and the world economy.

**25.** The paper also highlighted the economic consequences for Iraq’s neighbours, particularly Jordan.

**26.** Mr John Scarlett, the Chairman of the Joint Intelligence Committee (JIC), responded to a request from Sir David for an update on Iraq’s oil production, the importance of oil revenue to the Iraqi regime, and the effect of a halt in Iraqi oil exports on the world oil market, on 4 April.<sup>14</sup>

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<sup>11</sup> Minute Prime Minister to Powell, 17 March 2002, ‘Iraq’.

<sup>12</sup> Public hearing, 21 January 2011, page 43.

<sup>13</sup> Letter Arthur to Manning, 26 March 2002, ‘Iraq: Back Pocket Economics’.

<sup>14</sup> Minute Scarlett to Manning, 4 April 2002, ‘Iraq: Oil’.

**27.** Mr Scarlett advised that:

- Iraq exported considerable quantities of oil – perhaps as much as 400,000 bpd in 2001 – illegally.
- Saddam Hussein’s regime gained some illegal revenue by applying surcharges to OFF programme trade. It also controlled the distribution of goods purchased under the OFF programme, adding to its ability to offer patronage.
- While a sudden cut in Iraqi oil exports would cause a temporary spike in the oil price, the price rise would be “moderate” (less than US\$5 a barrel).
- The duration of the spike would be determined by market expectations which were already influenced by “jitters over the Middle East and talk of war with Iraq”.

**28.** Sir David passed Mr Scarlett’s note to Mr Blair the following day.<sup>15</sup>

**29.** Mr Matthew Rycroft, Mr Blair’s Private Secretary for Foreign Affairs, sent Mr Blair an updated briefing pack for the meetings at Crawford on 4 April.<sup>16</sup> For Iraq, that included “further background papers on ensuring the security of energy supply”.

**30.** Those further background papers are likely to have been the papers provided by Mr Arthur and Mr Scarlett.

**31.** Section 3.2 describes the discussions between President Bush and Mr Blair at Crawford from 5 to 7 April.

**32.** Mr Blair told the Inquiry that there had been “a general discussion of the possibility of going down the military route but obviously, we were arguing for that to be if the UN route failed”.<sup>17</sup>

**33.** The Inquiry has seen no indications that issues relating to energy security or oil were discussed at the meetings.

### Planning and preparing for a post-conflict Iraq

**34.** In mid-June 2002, the MOD’s Strategic Planning Group issued a paper on UK military strategic thinking on Iraq to a limited number of senior MOD addressees.<sup>18</sup>

**35.** The paper stated that with significant potential oil revenues, Iraq’s reconstruction should be “self-sufficient”.

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<sup>15</sup> Manuscript comment Manning to Blair on Minute Scarlett to Manning, 4 April 2002, ‘Iraq: Oil’.

<sup>16</sup> Minute Rycroft to Prime Minister, 4 April 2002, ‘Texas’.

<sup>17</sup> Public hearing, 29 January 2010, page 59.

<sup>18</sup> Minute Driver to PSO/CDS, 13 June 2002, ‘Supporting Paper for COS Strategic Think Tank on Iraq – 18 June’ attaching Paper MOD, 12 June 2002, [untitled].

**36.** The paper listed likely immediate, medium-term and long-term military post-conflict tasks. The immediate (up to six months) tasks included:

- assist in restoration of key infrastructure elements;
- secure oilfields and oil distribution/refining infrastructure.”

**37.** The medium-term (six months to two years) tasks included:

- begin transfer [of] security of oilfields and production facilities to Iraqi forces.”

**38.** The paper was revised five times between June and December 2002.

The December 2002 version of the paper replaced the tasks listed above with a single “Military Line of Operation” for infrastructure security, which extended into the long term.<sup>19</sup>

**39.** At his request, Mr Blair received a pack of reading material on Iraq at the beginning of August 2002.

**40.** The reading pack included a January 2002 DIS report on Iraq’s infrastructure.<sup>20</sup> The report had been produced in response to the ongoing requirement on DIS to maintain and update information to support possible future military operations.

**41.** The DIS report stated that Iraq’s oil and gas industry had suffered substantial damage during the Iran/Iraq and Gulf wars, and recovery had been slow. A “recent UN report” had assessed that the general state of the Iraqi oil industry had declined seriously over the previous 18 months and that urgent measures were needed to avoid further deterioration of oil wells and the petroleum infrastructure. Of the 12 oil refineries in Iraq, only three were operational.

**42.** An FCO Economic Adviser produced an assessment of short- and long-term economic consequences of military action for the region and for Iraq on 29 August.<sup>21</sup> The assessment identified a number of potential short-term consequences of military action including a rise in oil prices and the disruption of the OFF programme.

**43.** Copies of the assessment were sent to FCO officials and, separately, to TPUK. The Inquiry has seen no indication that copies were sent to other departments.

**44.** A Treasury official sent Mr Gordon Brown, the Chancellor of the Exchequer, a paper on the global, regional and local (Iraqi) economic impact of war in Iraq on 6 September.<sup>22</sup>

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<sup>19</sup> Paper [SPG], 13 December 2002, ‘UK Military Strategic Thinking on Iraq’.

<sup>20</sup> Paper DIS, 18 January 2002, ‘Infrastructure Briefing Memorandum: Iraq’.

<sup>21</sup> Minute FCO [junior official] to Gray, 29 August 2002, ‘Iraq: Economic Issues Raised by Military Action and Regime Change’ attaching Paper, [undated], ‘Regional Economic Consequences of Military Action against Iraq’.

<sup>22</sup> Email Treasury [junior official] to Bowman, 6 September 2002, ‘What would be the economic impact of a war in Iraq?’ attaching Paper Treasury, September 2002, ‘What would be the economic impact of war in Iraq?’.



**45.** The Treasury paper stated that Iraq’s economy was distinguished by the dominance of oil and gas revenues. Iraq currently produced around 2.5m bpd, though this “fluctuated wildly” as Iraq used oil production as a bargaining tool in negotiations with the UN over the operation of the OFF programme. Around 2.25m bpd were exported. Oil revenues represented 60 percent of Iraq’s GDP and 95 percent of its foreign currency earnings.

**46.** Oil markets already thought that war with Iraq was probable, driving up prices to around US\$27 per barrel. Globally, a conflict could lead to a rise in the oil price of US\$10 a barrel and a consequent reduction in global growth by 0.5 percentage points and a rise in inflation by between 0.4 and 0.8 percentage points.

**47.** The Treasury paper did not address the impact of a conflict on the UK economy.

**48.** The Treasury advised that recent experience suggested that the cost of “putting a country back on its feet” could be high. The Federal Republic of Yugoslavia had already received US\$10bn in support. Iraq could be “even more expensive”, given:

- the possibility that a conflict could cause significant damage, and the existing poor state of Iraq’s infrastructure;
- the need to stabilise the economy, including by addressing Iraq’s huge external debt;
- the need for a large peace-keeping force “to keep a lid on the ethnic and religious tensions that Saddam’s dictatorship has hidden for so long”; and
- the pressure for a “generous [reconstruction] package, given the perception in the region that invading Iraq is of dubious legality and worth”.

**49.** On who would pay for that generous package, the Treasury assessed that:

“... the US might expect Iraq to pick up the bill after a short ‘bridging’ period, especially as – with investment – oil revenues could quickly exceed US\$20 billion per year.

“But it is more likely that strong pressure will come to bear on the US and its allies to pay the lion’s share, given their role in the war ...”

**50.** The Treasury paper did not consider more specifically what the UK’s contribution to meeting post-war costs might be.

**51.** The Inquiry has seen no evidence that Mr Brown responded to this analysis, or that it was circulated outside the Treasury.

**52.** In September 2002, the Energy Infrastructure Planning Group was established within the US Department of Defense (DoD) to plan for the rapid restoration of Iraq’s oil

sector, in order to maximise oil revenues to finance reconstruction.<sup>23</sup> Formal meetings began in November. In parallel, the US National Security Council (NSC) developed a longer-term plan to transfer control of Iraq's oil infrastructure back to the Iraqi authorities. That plan was approved by President Bush in January 2003.

**53.** The Inquiry has seen no indications that the UK Government was aware of those processes until late January 2003.

**54.** From 20 September 2002, the Cabinet Office-led Ad Hoc Group on Iraq (AHGI) co-ordinated all non-military cross-government work on post-conflict issues (see Section 6.4). The focus of the AHGI's work during autumn 2002 was a series of analytical papers by the FCO and other departments on the post-conflict administration and reconstruction of Iraq, and the possible consequences of conflict for the UK.

**55.** The AHGI held its first meeting on 20 September.<sup>24</sup> Mr Jim Drummond, Assistant Head (Foreign Affairs) of Cabinet Office OD Sec, wrote to Mr Desmond Bowen, Deputy Head of Cabinet Office OD Sec, the day before, suggesting issues for discussion and proposing departmental responsibilities for those issues. The issues identified by Mr Drummond included:

- Impact on world growth and trade, and on the UK economy (Treasury to write a note if they haven't already).
- Securing oil supplies and effect of regime change on world oil markets (DTI [Department of Trade and Industry]).”

**56.** The record of the 20 September meeting of the AHGI stated that:

“Most [departments] have begun considering implications of military action. These include Treasury on the macro economic impact, DTI on oil markets ...”<sup>25</sup>

**57.** The record also stated that work should remain “as internal thinking within departments” for the next few weeks.

**58.** On 26 September, the FCO sent a paper on post-Saddam government in Iraq, entitled ‘Scenarios for the Future of Iraq after Saddam’, to Sir David Manning.<sup>26</sup> It was circulated separately to members of the AHGI.

**59.** The paper defined scenarios under which Saddam Hussein might lose power, the UK's four “overarching priorities” for Iraq (termination of Iraq's WMD programme, more inclusive and effective Iraqi government, a viable Iraq which was not a threat

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<sup>23</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>24</sup> Minute Drummond to Bowen, 19 September 2002, ‘Ad Hoc Group on Iraq (AHGI)’.

<sup>25</sup> Minute Drummond to Manning, 23 September 2002, ‘Ad Hoc Group on Iraq’.

<sup>26</sup> Letter McDonald to Manning, 26 September 2002, ‘Scenarios for the Future of Iraq after Saddam’ attaching Paper FCO, [undated], ‘Scenarios for the Future of Iraq after Saddam’.

to its neighbours, and an end to Iraqi support for international terrorism), and how those priorities might be achieved.

**60.** The paper stated that the UK had a “fundamental interest in a stable region providing secure supplies of oil to world markets”, but did not otherwise consider energy security or oil.

**61.** The Cabinet Office circulated the final version of the DTI’s Emergency Plan to deal with international oil supply disruption resulting from military action in Iraq to members of the AHGI on 17 October.<sup>27</sup>

**62.** The DTI assessed that:

- the return of weapons inspectors and limited UN-sanctioned strikes against Iraq would have very little impact on UK fuel supplies;
- a UN-sanctioned invasion of Iraq could result in some disruption to international oil supply, possibly leading to a “token” release of oil stocks by the International Energy Agency (IEA), but there would be no impact on UK fuel supplies beyond some price volatility; and
- some worst-case scenarios, including a unilateral US invasion, could have a serious impact on oil markets leading to significant increases in UK fuel prices.

**63.** The DTI stated that it would monitor any potential or actual oil supply disruption.

**64.** On 22 October, Mr Jon Cunliffe, Treasury Managing Director for Macroeconomic Policy and International Finance, sent Mr Brown a paper on the impact on the Treasury’s objectives of a war in Iraq.<sup>28</sup>

**65.** The Treasury paper identified nine risks to the Treasury’s objectives and assessed the likelihood and impact of each in four scenarios: no war; a short war; a protracted war; and a war involving WMD. The nine risks were:

- substantial rise in public spending;
- lower growth, higher inflation and unemployment;
- negative productivity shock;
- public finances less sound;
- inflation deviates from target;
- loss of insurance capacity/risk of insurance failures;
- more International Monetary Fund (IMF) lending leading to higher UK gross debt;
- revival of popular pressure for lower fuel taxes; and

<sup>27</sup> Minute Dodd to Members of the Ad Hoc Group on Iraq, 17 October 2002, [untitled], attaching Paper DTI, October 2002, ‘International Oil Supply disruption – Emergency Plan’.

<sup>28</sup> Minute Cunliffe to Chancellor, 22 October 2002, ‘Iraqi War: Risks to Treasury Objectives’ attaching Paper Treasury, [undated], ‘Impact of a War on Treasury Business’.

- developing countries knocked by oil prices, leading to lower growth.

**66.** In his covering minute, Mr Cunliffe advised that the Treasury's main concern related to its "ability to maintain sound public finances, especially in the more pessimistic cases". There would be some risk to the "Golden Rule" in all three war scenarios; the risk would be much greater if a war involved WMD. Mr Cunliffe concluded by suggesting that Mr Brown might want to warn colleagues about the risk to public finances.

**67.** The Inquiry has seen no evidence that Mr Brown took any action as a result of Mr Cunliffe's advice.

**68.** In his evidence to the Inquiry, Sir Jon Cunliffe described the oil market as the "main transmission mechanism" from a conflict in Iraq to the world economy:

"There are general confidence effects [on markets]; markets don't like wars, they don't like political situations they can't read, but ... the more concrete transmission channel through which a crisis ... would impact the global economy, we thought would be oil and oil price shock ...

"We modelled that quite closely ..."<sup>29</sup>

**69.** The Inquiry asked Sir Jon whether the Treasury had done any work on the benefits of a conflict in Iraq to UK energy supply or to the UK oil industry. He told the Inquiry:

"No, the only thing that I think comes close is that, in the fiscal impacts of a crisis, a high oil price benefits the UK, because we are an oil producer and we have tax and licence revenues, so we took that upside. That's one of the reasons why the impact on the UK economy is not straightforward. So we took into account what would happen with an oil price spike. It would actually mean damage to the UK economy, but more revenue coming in, but we weren't trying to do an exercise about the economic pros and cons of the war. That was not the object of the exercise."<sup>30</sup>

**70.** Sir Jon told the Inquiry that the DTI was also engaged on modelling the impact of conflict on oil prices.<sup>31</sup>

**71.** Mr Drummond sent a paper on models for Iraq after Saddam Hussein to Sir David Manning on 1 November.<sup>32</sup> In his covering minute, Mr Drummond advised that it was a synthesis of some of the work undertaken by departments under the auspices of the AHGI, and that it would be used as the steering brief for the FCO/MOD/Department for International Development (DFID)/Cabinet Office delegation to the forthcoming talks on post-conflict issues with the US and Australia in Washington. Mr Drummond advised that the ideas in the paper would not be presented as UK policy.

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<sup>29</sup> Public hearing, 9 July 2010, pages 8 and 9.

<sup>30</sup> Public hearing, 9 July 2010, pages 10 and 11.

<sup>31</sup> Public hearing, 9 July 2010, page 9.

<sup>32</sup> Minute Drummond to Manning, 1 November 2002, 'Iraq: Post-Saddam' attaching Paper 'Iraq: Models and some questions for post-Saddam government'.

**72.** The paper stated that there were many possible permutations of the “stable united and law abiding [Iraqi] state ... providing effective and representative government” sought by the UK, but focused on two:

- “Iraq under a new, more amenable strongman”, after Saddam Hussein had been toppled prior to or in the early stages of any military campaign; and
- “a more representative and democratic Iraq” after Saddam Hussein’s regime had collapsed following a military campaign.

**73.** In the second scenario, the UK’s “preferred model” comprised three phases:

- A transitional military administration (which could last up to six months). Priorities would include maintaining a version of the OFF programme and planning for the revival of Iraq’s economy.
- A UN administration (which might administer Iraq for approximately three years, while a Constitution was agreed). Priorities would be to repair “war damage” to Iraq’s oil industry and introduce new investment. Some way would have to be found to reconcile payment of Iraq’s huge external debt and compensation claims with its reconstruction and development needs.
- A sovereign Iraqi Government.

**74.** The paper did not address what role, if any, the UK might have in pursuing those priorities.

**75.** A Treasury paper on the impact of conflict on the global economy and the UK was circulated to the AHGI on 7 November.<sup>33</sup> The Treasury’s assessment of the impact on the global economy remained unchanged from 6 September.

**76.** Mr Edward Chaplin, FCO Director Middle East and North Africa, led the UK delegation to the first round of talks on post-conflict issues with a US inter-agency team and an Australian delegation in Washington on 6 November.<sup>34</sup>

**77.** Mr Drummond, a member of the UK delegation, reported to Sir David Manning on 8 November that the US wanted to establish a trust fund for Iraqi oil revenues, under Coalition control, which would be transparent and enable resources to be used for the benefit of the Iraqi people.<sup>35</sup>

**78.** There are no indications that the UK engaged with the US on that issue until the second round of US/UK/Australia talks, in late January 2003.

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<sup>33</sup> Letter Dodd to Ad Hoc Group on Iraq, 7 November 2002, ‘Ad Hoc Group on Iraq’ attaching Paper Treasury, October 2002, ‘Economic Impact of a War in Iraq’.

<sup>34</sup> Telegram 1456 Washington to FCO London, 7 November 2002, ‘Iraq: UK/US Consultations on Day After Issues: 6 November 2002’.

<sup>35</sup> Minute Drummond to Manning, 8 November 2002, ‘Iraq: Day After’.

**79.** Mr Blair and Mr Jack Straw, the Foreign Secretary, held an off-the-record seminar on Iraq with six academics on 19 November.

**80.** Mr Rycroft advised Mr Blair that No.10 had issued a set of eight questions as an agenda for the seminar, including:

“Post-Saddam, how quickly would the Iraqi economy revive? Who would control the oil etc?”<sup>36</sup>

**81.** Mr Rycroft annotated that question in his advice to Mr Blair:

“BP and others are fretting that they will lose out in the carve-up of contracts after any military action, as the UK did after the Gulf war ... We don't need to get into the detail of this, but we need to know what the main economic constraints would be in rebuilding Iraq and how economic issues would drive the model of governance chosen.”

**82.** The concerns of UK oil companies and their discussions with the UK Government are described later in this Section.

**83.** Not all the questions posed by No.10 were addressed at the seminar.<sup>37</sup> Mr Rycroft's record of the seminar reported the view that changing Iraq substantively would mean tackling the political economy of oil, which led to a highly centralised bureaucracy and the power of patronage.

**84.** Mr Arnab Banerji, an adviser in No.10, sent Mr Blair a detailed assessment of the economic impact on the UK of war in Iraq on 19 December.<sup>38</sup> Mr Banerji concluded:

“A short successful war with Iraq is likely to pose little strain on the UK economy. Following such a conflict a combination of lower oil prices and increased business confidence should provide a boost to the world economy. This in turn would feed into higher UK growth in both 2003 and 2004.

“An extended or inconclusive conflict would have negative consequences for the world economy and damage the UK. If oil prices remain in the US\$30 – US\$45 [per barrel] range for a year then UK growth rates are expected to be about 1.0 percent lower than anticipated for both 2003 and 2004.”

That price range compared with a UK forecast of US\$20 to US\$25 per barrel by the end of 2003.

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<sup>36</sup> Minute Rycroft to Prime Minister, 18 November 2002, 'Iraq: Seminar with Academics, Tuesday'.

<sup>37</sup> Letter Rycroft to Sinclair, 20 November 2002, 'Iraq: Prime Minister's Seminar with Academics, 19 November'.

<sup>38</sup> Minute Banerji to Prime Minister, 19 December 2002, 'Economic Impact on UK of War with Iraq'.

**85.** Mr Tony Brenton, Deputy Head of Mission at the British Embassy Washington, reported US State Department (but not yet agreed US Government) views by telegram on 23 December.<sup>39</sup> The main policy points included:

- Provided the war was short, the US State Department did not anticipate a dramatic impact on oil prices. They were ready to intervene in the market as necessary.
- Control of the oil sector should be put back into Iraqi hands as soon as possible. As far as possible, any major decisions should be postponed until control was handed back.
- In the interim there should be a clear international role to maximise transparency and minimise charges that the US went to war for oil.
- The US would “respect the concerns of those countries with existing contracts”.

**86.** A No.10 official wrote to Sir David Manning on 8 January 2003, to express his concern about the US plan to set up a US-administered trust fund for Iraqi oil revenues.<sup>40</sup> The official argued that:

“... we should be working hard to persuade the US that, whilst a trust fund to ensure the Iraqi people benefit from oil export revenues is a good idea, it is very much in the US’s (and by extension the UK’s) political interests to get this done through a UN forum ... If control was handed to the UN, it would be much more difficult to maintain the argument that this is about oil.”

**87.** The 10 January 2003 meeting of the AHGI considered a joint Cabinet Office/ Department for Environment, Food and Rural Affairs (DEFRA) paper on environmental contingency planning.<sup>41</sup>

**88.** DEFRA assessed that the environmental consequences of large-scale damage to Iraqi oil fields would be “significant and dramatic but in most cases short term”.<sup>42</sup> Most of the impacts would be confined to Iraq. The US would have an important role in responding to environmental contamination, though the extent of its contingency planning was unclear. The UK had the capacity to provide “limited assistance” to:

- treat oil pollution;
- monitor air pollution; and
- help decontaminate water supplies.

**89.** DEFRA stated that any UK assistance would require funding.

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<sup>39</sup> Telegram 1690 Washington to FCO London, 23 December 2002, ‘Iraq: the Day After: Oil and Reconstruction’.

<sup>40</sup> Minute No.10 [junior official] to Manning, 8 January 2003, ‘What We Do with Iraqi Oil’.

<sup>41</sup> Minute Dodd to Manning, 13 January 2003, ‘Ad Hoc Group on Iraq’.

<sup>42</sup> Paper Cabinet Office/DEFRA, [undated], ‘Iraq: Environmental Contingency Planning’.

**90.** The AHGI agreed that the DEFRA paper should be passed to the US, and a finalised version sent to Ministers.

## MILITARY PLANNING

**91.** Sections 6.1 and 6.2 describe how, by the beginning of January 2003, uncertainty about Turkey's agreement to the deployment of Coalition ground forces in its territory had reached a critical point, and the UK's decision to deploy large-scale ground forces to the south, rather than the north, of Iraq.

**92.** The MOD's Strategic Planning Group advised the Chiefs of Staff on 7 January that adopting a southern option had the potential to:

“Provide UK with leading role in key areas of Iraq (free of Kurdish political risks) in Aftermath, and thus provide leverage in Aftermath Planning efforts, especially related to:

- Humanitarian effort
- Reconstruction of key infrastructure
- Future control and distribution of Iraqi oil.”<sup>43</sup>

**93.** Lieutenant General John Reith, Chief of Joint Operations (CJO), attended a US Central Command (CENTCOM) commanders' conference in Tampa, Florida on 15 and 16 January.<sup>44</sup> The conference was described by General Tommy Franks, Commander in Chief CENTCOM, as “likely to be the last chance for such a gathering to take place. It therefore had to be conclusive.”

**94.** Lt Gen Reith reported to Admiral Sir Michael Boyce, Chief of the Defence Staff, that the US had “a zillion dollar project to modernise and properly exploit the southern oilfields”.<sup>45</sup>

**95.** Gen Reith told the Inquiry that, in the margins of the conference, he had told Gen Franks that he was unhappy with the way planning was going:

“... they were going into shock and awe, and we ... the British ... had been very much the custodians of ‘Let's worry about Phase IV’.<sup>46</sup> So we got on to Phase IV in our discussion and I made the point ... that the oilfields were absolutely essential for Phase IV, to provide revenue for Iraq for its reconstruction and therefore, we needed to secure the oilfields rather than have them destroyed. I also made the point to him that the more china that we broke, the more we would have to replace afterwards.”<sup>47</sup>

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<sup>43</sup> Paper SPG, 7 January 2003, ‘Operation TELIC – Military Strategic Analysis of Pros/Cons of Adopting a Southern Land Force Option’.

<sup>44</sup> Minute Wilson to MA/CJO, 17 January 2003, ‘CENTCOM Component Commanders' Conference: 15-16 Jan 03’.

<sup>45</sup> Minute Reith to PSO/CDS, 17 January 2003, ‘Discussion with General Franks – 16 Jan 03’.

<sup>46</sup> Phase IV was the military term for the post-conflict phase of military operations.

<sup>47</sup> Private hearing, 15 January 2010, pages 42-43.



**96.** Mr Geoff Hoon, the Defence Secretary, sent Mr Blair formal advice on the UK contribution to land operations in Iraq on 16 January.<sup>48</sup> Mr Hoon stated that the US had asked the UK to provide a ground force to take on a key role in southern Iraq. He described the proposed UK Area of Responsibility in the south as “a coherent one”, which included:

“... economic infrastructure critical to Iraq’s future, including much of its oil reserves, critical communications nodes, a city (Basra) of 1.3 million people and a port (Umm Qasr) about the size of Southampton. Although the establishment of UK control over this area will require careful presentation to rebut any allegations of selfish motives, we will be playing a vital role in shaping a better future for Iraq and its people.”

**97.** Mr Straw wrote to Mr Blair the following day in response to Mr Hoon’s letter, setting out three concerns, including:

“... much greater clarity is required about US thinking and plans for the aftermath ... We need in particular far greater clarity on US thinking on management of the oilfields.”<sup>49</sup>

**98.** Mr Hoon’s recommendations were endorsed by Mr Blair on 17 January,<sup>50</sup> and the deployment of a UK land package was announced to Parliament on 20 January.<sup>51</sup>

## DISCUSSIONS WITH THE US

**99.** Mr Peter Ricketts, FCO Political Director, visited Washington on 13 January.<sup>52</sup>

**100.** At the first FCO Iraq Morning Meeting after his return from Washington, Mr Ricketts reported that:

“... the US show no sign of accepting our arguments on transitional administrations. They are wedded to the idea of a prolonged US Occupation, and opposed to any substantial role for the UN. We are likely to find the 22 January day after talks hard going in this respect.”<sup>53</sup>

**101.** Mr Chaplin led the UK delegation to Washington for a second round of talks on post-conflict planning with a US inter-agency team and an Australian delegation on 22 January.

**102.** Mr Dominick Chilcott, FCO Middle East Department, sent an “Annotated Agenda/overarching paper” for the meeting to Mr Straw on 17 January.<sup>54</sup> The paper listed a large

<sup>48</sup> Letter Hoon to Blair, 16 January 2003, ‘Iraq: UK Land Contribution’.

<sup>49</sup> Minute Straw to Prime Minister, 17 January 2003, ‘Iraq: UK Land Contribution’.

<sup>50</sup> Letter Manning to Watkins, 17 January 2003, ‘Iraq: UK Land Contribution’.

<sup>51</sup> House of Commons, *Official Report*, 20 January 2003, column 34.

<sup>52</sup> Minute Ricketts to Private Secretary [FCO], 14 January 2003, ‘Iraq: The Mood in Washington’.

<sup>53</sup> Minute Tanfield to PS/PUS [FCO], 15 January 2003, ‘Iraq Morning Meeting: Key Points’.

<sup>54</sup> Minute Chilcott to Private Secretary [FCO] and Chaplin, 17 January 2003, ‘Iraq: Day-After Issues’.

number of issues still to be resolved, organised under five headings: security; relief and reconstruction; political; economic; and environmental.

**103.** Under the relief and reconstruction heading, the paper stated that the UK would like the OFF programme, funded by Iraqi oil revenues, to continue to meet humanitarian needs in the post-conflict period. Its ability to do so would depend on the extent of the disruption caused by any conflict. Looking further ahead, the OFF programme was not designed to support reconstruction. The extent of external funding required for reconstruction would depend on Iraqi oil revenues, UN compensation claims and external debt obligations. The UK would be able to provide only a limited contribution to “total costs”. There might be scope for Iraq to borrow against future oil revenues to finance reconstruction.

**104.** Under the economic heading, the paper stated that a key task would be to maximise Iraq oil revenues, consistent with the effect on the global market. The Coalition would need to consider whether that was best achieved by returning control of Iraqi oil exports from an international civilian administration to an Iraqi administration rapidly or in slower time. The Coalition would also need to consider how the competing calls on oil revenues of debt repayment and reconstruction should be balanced.

**105.** Under the environmental heading, the paper asked whether there was an environmental clean-up plan.

**106.** On 20 January, President Bush issued National Security Presidential Directive 24, consolidating all post-conflict activity in the new DoD-owned Office of Reconstruction and Humanitarian Assistance (ORHA).<sup>55</sup> President Bush had decided in principle to place the DoD in charge of all post-conflict activity in December 2002.

**107.** Lieutenant General (retired) Jay Garner was appointed to lead ORHA.<sup>56</sup>

**108.** The British Embassy Washington reported on the outcome of the 22 January talks on post-conflict planning:

“Overall, US Day After planning is still lagging far behind military planning. But they have agreed to two working groups: on the UN dimension; and on economic reconstruction issues ...

...

“The US were clear that the OFF [programme] would have to be maintained. There would need to be debt rescheduling. There were many questions to be resolved on oil production and revenues. The US fully accepted the need for

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<sup>55</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>56</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

maximum transparency in this area. They readily agreed to set up a joint working group to examine these issues.”<sup>57</sup>

**109.** Mr Chaplin advised Mr Straw that: “Given that military action could start within a few weeks, we agreed to have the first meetings of these [working] groups next week, if possible.”<sup>58</sup>

**110.** Reports from the British Embassy Washington in late January highlighted the question of who would manage the oil sector in the post-conflict period.

**111.** A joint MOD/Permanent Joint Headquarters (PJHQ) delegation attended a Phase IV planning conference at CENTCOM from 23 to 24 January.<sup>59</sup> The conference considered Phase IV planning in more detail than the 22 January talks.

**112.** The British Embassy Washington reported on the discussions on Phase IV issues.<sup>60</sup> The “Energy and Infrastructure Planning Group” based in DoD was co-ordinating work on the oil sector. A comprehensive plan had been presented to President Bush. A specialised contractor had been identified to carry out emergency repairs. It had still not been decided “who or what” would be in overall charge of the oil sector, although President Bush had agreed that a “CEO” would be needed.

**113.** The Embassy reported that the “underlying” US objective was to get “operations back in the hands of the local workforce as soon as possible”. The US Administration recognised the need to restore oil production and exports to generate revenue; the aim was to “quickly achieve” 2.1m bpd, and to be prepared to increase production to 3.1m bpd.

**114.** A BP team briefed UK Government officials on prospects for the Iraq energy sector on 23 January.<sup>61</sup> The briefing identified “two opposing views current in Washington”, which it characterised as “hawkish” (espoused by the DoD, the NSC and others) and “doveish” (espoused by the US State Department). The hawkish view sought a significant increase in Iraqi oil production to push down oil prices, privatisation within the oil sector, and external engagement led by the US (and possibly the UK) rather than the UN.

**115.** The BP team estimated that Iraqi oil production could rise from around 2.8m bpd currently to around 3.5m bpd within two years and 4m bpd within five years. Significant investment was required. UK officials pressed the BP team on whether this “fairly slow” increase could be accelerated.

<sup>57</sup> Telegram 89 Washington to FCO London, 23 January 2003, ‘Iraq: US/UK/Australia Consultations on Day After Issues: 22 January 2003’.

<sup>58</sup> Minute Chaplin to Secretary of State, 22 January 2003, ‘Iraq: ‘Day-After’ Issues’.

<sup>59</sup> Minute DOMA AD(ME) and Sec(0)4 to MA/DCDS(C), 27 January 2003, ‘US Iraq Reconstruction Conference – Tampa 23-24 Jan 03’.

<sup>60</sup> Teleletter FCO [junior official] to Chilcott, 25 January 2003, ‘US/Iraq: CENTCOM Meeting on Day After Reconstruction Issues, 23 January 2003’.

<sup>61</sup> Record, 23 January 2003, ‘Iraqi Energy Sector: Issues and Prospects’.

**116.** On 31 January, in advance of the first meeting of the US/UK/Australia Working Group on Day After Economic on 5 February, a junior official in the British Embassy Washington advised the FCO that, on oil, “at present, the [US] Administration are sharing little with us”.<sup>62</sup> Much of the post-conflict planning relating to oil was being done within the DoD. The official US line was that UK concerns about transparency and the need for a level commercial playing field had been taken on board.

**117.** The official reported that Mr Colin Powell, the US Secretary of State, had said publicly that oil would be held “in trust” for the Iraqi people and that the underlying US objective was to get operations back into the hands of the “local workforce”, but that view might not be held in other (unspecified) parts of the US Administration.

**118.** The official also reported that rumours persisted that contracts had already been let for the initial clean-up phase (which could last anything from two to 18 months).

**119.** The official concluded that key questions remained, including who would be in overall charge of the oil sector after the initial clean-up.

**120.** Mr Blair met President Bush and Dr Condoleezza Rice, President Bush’s National Security Advisor, in Washington on 31 January to discuss post-conflict planning.

**121.** A FCO briefing for Mr Blair included in its list of objectives for the meeting: “To convince President Bush ... the US needs to pay much more attention, quickly, to planning on ‘day after’ issues; and that the UN needs to be central to it.”<sup>63</sup>

Key messages included:

- The UN could bring “significant advantages” after the conflict, including taking on responsibility for oil revenues “to avoid accusations that aim of military action was to get control of oil”.
- Restoring oil production would be “an immediate challenge”. The oil sector would need “some technology and a lot of capital”. The US and UK should “encourage an open investment regime and a level playing field for foreign companies”.

**122.** A short Cabinet Office paper offered Mr Blair a “few OD Sec points, just in case they slip through the briefing”.<sup>64</sup> Those included:

- the importance of the transparent use of oil revenues; and
- the need to argue for a level playing field for UK companies on new oil exploration contracts.

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<sup>62</sup> Letter FCO [junior official] to FCO [junior official], 31 January 2003, ‘Iraq ‘Day After’; Economic Working Group’.

<sup>63</sup> Paper FCO, 30 January 2003, ‘Prime Minister’s Visit to Camp David, 31 January: Iraq’.

<sup>64</sup> Minute Drummond to Rycroft, 28 January 2003, ‘Iraq: US Visit’.

**123.** At the meeting with President Bush, Mr Blair suggested that a UN badge was needed for what the US and UK wanted to do, and would help with the humanitarian problems.<sup>65</sup>

**124.** The record of the meeting between President Bush and Mr Blair does not show any discussion of oil issues.

**125.** The first meeting of the US/UK/Australia Working Group on Day After Economic Issues took place in Washington on 5 February.<sup>66</sup>

**126.** The British Embassy Washington reported that the DoD had detailed contingency plans to protect and restore the oil sector. The DoD was well aware of the importance of the oil sector for reconstruction. In the best case (minimal damage, current levels of outputs restored after two to three months), the DoD estimated that the sector could make a net contribution of US\$12bn in the first year after any conflict; in the worst case it could impose a net cost of US\$8bn.

**127.** The Working Group agreed to co-operate on defining practical economic steps to be taken in the first three to six months of military occupation.

**128.** The FCO member of the UK delegation, the Economic Adviser for the Middle East and North Africa, reported separately to Mr Drummond that:

“DoD are ploughing ahead with detailed contingency planning for the oil sector in the initial military administration phase. But ... there was a conspicuous disconnect between this and civilian planning for economic management and policy development within Iraq ...”<sup>67</sup>

**129.** Mr Marc Grossman, US Under Secretary of State for Political Affairs, and Mr Douglas Feith, US Under Secretary of Defense for Policy, gave evidence on US post-conflict plans to the Senate Foreign Relations Committee on 11 February.<sup>68</sup>

**130.** The British Embassy Washington reported that Mr Grossman’s and Mr Feith’s message to the Foreign Relations Committee was “liberation not occupation”, with an assurance that the US did not want to control Iraq’s economic resources.

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<sup>65</sup> Letter Manning to McDonald, 31 January 2003, ‘Iraq: Prime Minister’s Conversation with President Bush on 31 January’.

<sup>66</sup> Telegram 169 Washington to FCO London, 6 February 2003, ‘Iraq: Meeting of Trilateral Working Group on ‘Day After’ Economic Issues: Short Term Reconstruction’.

<sup>67</sup> Teleletter FCO [junior official] to Drummond, 6 February 2003, ‘Iraq: Meeting of US/UK/Australian Working Group on ‘Day After’ Economic Issues: Assessment and Follow Up’.

<sup>68</sup> Telegram 196, Washington to FCO, 12 February 2003, ‘Iraq ‘Day After’: US Makes Initial Planning Public’.

**131.** The final paragraph of the Embassy's report highlighted the degree of uncertainty surrounding US plans:

"In the ensuing discussion, Feith said that military occupation could last two years. Both admitted to 'enormous uncertainties'. They said that they did not know how the Iraqi oil industry would be managed, who would cover the costs of oil installation reconstruction, or how the detailed transition to a democratic Iraq would operate. The committee's response was one of incredulity, with encouragement to plan for the worst, as well as the best, case."

**132.** Sir David Manning commented to Mr Bowen and No.10 officials:

"Last para[graph] shows scale of problem post-Saddam. We must keep pushing for this work to be done."<sup>69</sup>

**133.** Mr Tom Dodd, Cabinet Office OD Sec, reported on 11 February on a US briefing on the oil sector arranged by the Assessments Staff.<sup>70</sup> The briefing assessed that Iraq's oil infrastructure was "generally in terrible condition". CENTCOM believed that oil production could be increased to 6m bpd within three years, given massive new investment. US officials believed that reaching that level of production would take at least six years, "given benign political and security factors".

**134.** Mr Hoon discussed post-conflict issues with Mr Donald Rumsfeld, the US Secretary of Defense, in Washington on 12 February.

**135.** A briefing prepared by the MOD Iraq Secretariat for Mr Hoon listed eight "Key Gaps/US-UK policy differences", one of which was oil.<sup>71</sup>

**136.** The MOD advised that the US plan for the insertion of a task force of US oil experts and subsequent management of Iraqi oilfields "had to be handled carefully to avoid accusations of theft". The UK would press for transparency of oil management, for greater UN involvement than was envisaged, and for the early transfer of control of oilfields back to the Iraqis.

**137.** The "task force" was probably a reference to Task Force Restore Iraq Oil (RIO), established by the US Army Corps of Engineers.<sup>72</sup> An advance team from Task Force RIO deployed to Iraq in February.

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<sup>69</sup> Manuscript comment Manning on Telegram 196 Washington to FCO, 12 February 2003, 'Iraq 'Day After': US Makes Initial Planning Public'.

<sup>70</sup> Minute Dodd to Drummond, 11 February 2003, 'Iraq: Oil'.

<sup>71</sup> Minute Johnson to PS/Secretary of State [MOD], 10 February 2003, 'Secretary of State's Visit to Washington: Iraq'.

<sup>72</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

**138.** Separately, Mr Drummond sent Mr Ian Lee, MOD Director General Operational Policy, a final version of the UK’s “key messages” on post-conflict Iraq, for Mr Hoon to draw on in his meeting with Secretary Rumsfeld.<sup>73</sup> The final two key messages were:

“Oil. Agree need to resume oil production and export as soon as possible. Welcome your plans to deal with any immediate environmental damage, and commitment to use oil revenues for the benefit of the Iraqi people e.g. ... by adapting [the] Oil-For-Food programme. Essential that oil revenues managed transparently and accountably. Perception of US/UK oil grab would rapidly increase hostility to the Coalition. The UN could help us avoid this.

“Level playing field: Big contracts to rebuild Iraq. Putting UK lives on line. Expect level playing field for UK business in oil and other areas.”

**139.** The British Embassy Washington reported on 13 February that Mr Hoon had raised the issue of financing reconstruction with Secretary Rumsfeld, including using the proceeds from oil sales.<sup>74</sup> Secretary Rumsfeld had agreed that oil revenues were key to financing reconstruction and should not be misinterpreted as a reason for the conflict. The DoD would make it clear that Iraqi oil proceeds should go to Iraq’s people. The OFF programme was a good basis on which to work.

**140.** Following the 5 February meeting of the US/UK/Australia Working Group on Day After Economic Issues, on 14 February an FCO official sent the US State Department a paper setting out the UK’s thoughts on the steps to be taken in the first 30 and 60 days after any conflict.<sup>75</sup> The official advised that the paper reflected FCO, Treasury and DFID views, and was:

“... very much work in progress, not completely co-ordinated here [in London], and at this stage reflects largely the views of economic and relief specialists here: it is not fully cleared politically.”

**141.** The paper set out strategic and specific operational objectives for six issues, including oil. The key strategic objective for oil was: “Maximum continuity in oil production and exports.” The specific operational objectives for oil in the first 30 days included:

- secure National Oil Company infrastructure (offices and staff as well as technical infrastructure) ...

...

<sup>73</sup> Letter Drummond to Lee, 11 February 2003, ‘Iraq Post Conflict: Key Messages’ attaching Paper Cabinet Office, 11 February 2003, ‘Iraq Post Conflict: Key Messages’.

<sup>74</sup> Telegram 203 Washington to FCO London, 13 February 2003, ‘Iraq: Defence Secretary’s Visit to Washington’.

<sup>75</sup> Letter FCO [junior official] to US State Department official, 14 February 2003, ‘Iraq Day After: Trilateral Economic Discussions – Follow-up’ attaching Paper, 14 February 2003, ‘Iraq Day After: Preliminary UK Views on Economic Actions in First 30/60 Days’.

- work with NOC management to ensure continued physical operation of non-damaged facilities and continued exports ...;
- work with NOC management to ensure administrative integrity, including staff retention and payment of salaries;
- ...
- initial quick assessment of oil sector spending needs ...”

**142.** The specific operational objectives for oil in the first 60 days were to:

- prepare an emergency budget for the oil sector;
- arrange for “urgent work” on oil infrastructure; and
- assess recent oil exports outside the OFF programme.

**143.** The same version of the paper was sent to Mr Blair on 7 March.

**144.** A Treasury official invited Mr Brown’s comments on officials’ “first thoughts” on Treasury policies in a post-Saddam Iraq on 11 February (see Section 13.1).<sup>76</sup> The Treasury assessed that the cost of ensuring Iraq’s prosperity and stability was difficult to predict but “potentially massive”. Iraq was potentially a rich country and the “obvious answer” was that Iraq should pay “the lion’s share” of its reconstruction from its oil revenues. However, there were several reasons why that might not cover all – or even the majority – of the cost of reconstruction:

- Iraq’s oil infrastructure could be damaged in any conflict, or sabotaged.
- The price of oil could fall.
- There would be pressure for Coalition countries to pay for reconstruction.
- The OFF programme provided up to US\$10bn a year for Iraq. That was enough to keep Iraq “ticking over”, but it was not clear whether it was enough to pay for reconstruction.
- A post-conflict Iraq might have to pay war reparations and service the country’s huge debt.

**145.** The official proposed that an “emerging policy position” would include maximising the Iraqi contribution to the cost of reconstruction, initially by maintaining the OFF programme.

**146.** The Treasury told the Inquiry that Mr Brown did not comment.<sup>77</sup>

**147.** Mr John Grainger, an FCO Legal Counsellor, sent the Iraq Planning Unit (IPU) an outline of the legal position on occupying forces’ rights to deal with oil reserves

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<sup>76</sup> Minute Treasury [junior official] to Chancellor, 11 February 2003, ‘HMT Policy on Post-Saddam Iraq’ attaching Paper Treasury, 11 February 2003, ‘Post-War Iraq: International Financing Policy’.

<sup>77</sup> Email Treasury [junior official] to Iraq Inquiry [junior official], 26 February 2010, [untitled].



in occupied territory on 14 February.<sup>78</sup> Mr Grainger advised that, under the Hague Regulations:

“... the Occupying Power acquires a temporary right of administration, but not sovereignty. He does not acquire the right to dispose of property in that territory except according to the strict rules laid down in those regulations. So occupation is by no means a licence for unregulated economic exploitation.”

**148.** Mr Grainger also advised that:

- the reasonable operation of oil wells was likely to be permitted, at least up to the rate at which they were previously operated, but there would be no right to develop new wells; and
- the current OFF programme regime assumed a degree of Iraqi Government involvement. In the event of there being “no Government in active control of Iraq”, it was likely that significant changes to the regime would be required.

**149.** On 19 February, at the request of the Cabinet Office, the Joint Intelligence Committee (JIC) produced the Assessment, ‘Southern Iraq: What’s in Store’.<sup>79</sup>

**150.** The JIC concluded that: “**The establishment of popular support for any post-Saddam administration cannot be taken for granted.**” Support could be undermined by several factors, including a failure to be seen to run the oil industry in the interests of the Iraqi people.

**151.** The JIC also recalled its earlier judgement that Saddam Hussein might seek to pursue a scorched earth policy, including the destruction of oil wells.

**152.** Mr Chilcott sent Mr Straw’s Private Office a paper on oil policy on 28 February.<sup>80</sup> Mr Chilcott advised that the paper, entitled ‘Iraq Day After – Oil Policy’, set out “preliminary, official-level thinking”. It had been circulated “fairly widely” across departments and incorporated comments from “various” departments. The IPU planned to share the paper with the US “in due course”, after some careful editing.

**153.** The paper stated that the UK’s economic objectives should be the rapid relief of humanitarian needs and the restoration of public services, and beyond that “to win the peace economically”. Oil revenues would have a key part to play in achieving those objectives. Provided exports were not interrupted, Iraq could finance a “substantial part” of the humanitarian, reconstruction and longer-term rebuilding effort.

<sup>78</sup> Minute Grainger to IPU [junior official], 14 February 2003, ‘Occupation Rights: Iraqi Oil’.

<sup>79</sup> JIC Assessment, 19 February 2003, ‘Southern Iraq: What’s in Store?’

<sup>80</sup> Minute Chilcott to Private Secretary [FCO], 28 February 2003, ‘Iraq Day After – Oil Policy’ attaching Paper IPU, 27 February 2003, ‘Iraq Day After – Oil’.

**154.** In the immediate aftermath of any conflict, the military administration's priorities should be to:

- cap any oil well fires and prevent damage to oil infrastructure; and
- restore production by repairing existing oil production facilities.

**155.** The “interim administration” that followed would lead on the rehabilitation and longer-term development of Iraq's oilfields, including tendering contracts for the exploration and exploitation of new areas. Deferring such work until a new Iraqi Government was in place would “seriously delay the maximisation of Iraq's oil revenue and increase the cost to the international community of its reconstruction”. It would be important to ensure that:

- any such moves were clearly in the interests of the Iraqi economy and people;
- the interim administration had an appropriate UN mandate;
- everything was done in as transparent a manner as possible; and
- production was not pushed beyond OPEC-type depletion rates, even though that could be in the interests of the Iraqi people.”

**156.** The paper stated that the OFF programme would need to be adjusted so that it could operate effectively after any conflict. That could only be done through the Security Council. The paper cautioned against seeking to use OFF programme funds to cover the cost of military occupation, as some in the US were suggesting, as this would “inevitably raise accusations that the military action was motivated by oil”.

**157.** The paper concluded that in the aftermath of any conflict, the “international administration” should seek to ensure that:

- Iraqi oil revenues were available to be used for the benefit of Iraq; and
- all Iraqi oil industry business was handled in as transparent a manner as possible, “to rebut allegations about oil motivations”.

**158.** The paper identified a number of next steps for the UK, including:

- to convene a meeting with UK oil companies to explore the UK's ideas and tap into their expertise;
- to start preliminary work to ensure that UK firms were well placed to pick up contracts. That work was already in hand;
- to factor rapid assistance for oilfield installations into UK military planning; and
- to start thinking about appropriate wording for UN resolutions. That was also already in hand.

**159.** Mr Straw commented: “V[ery] good paper.”<sup>81</sup>

<sup>81</sup> Manuscript comment Straw, 2 March 2003, on Minute Chilcott to Private Secretary [FCO], 28 February 2003, ‘Iraq Day After – Oil Policy’.

**160.** The paper was one of several passed to Mr Blair on 7 March, after his 6 March ministerial meeting on post-conflict issues.<sup>82</sup>

**161.** A revised version of the paper was passed to the US by 13 March.<sup>83</sup>

**162.** Mr Blair chaired a meeting on post-conflict issues on 6 March with Mr Brown, Mr Hoon, Ms Clare Short (International Development Secretary), Baroness Symons (joint FCO/DTI Minister of State for International Trade and Investment), Sir Michael Jay (FCO Permanent Under Secretary) and other officials.<sup>84</sup> The meeting is described in detail in Section 6.5.

**163.** Mr Brown received a number of papers from Treasury officials before the meeting, including a draft “DFID paper rewritten by the Treasury” on humanitarian relief and reconstruction costs.<sup>85</sup> The draft paper stated that it was a “first attempt at charting the likely costs of the first three years of the Iraqi reconstruction”.

**164.** The draft paper stated that, while cost estimates would remain “very rough” until the International Financial Institutions (IFIs) had completed a full needs assessment:

- In year 1, humanitarian costs could be between US\$2bn and US\$12bn, depending on the scale of the humanitarian crisis and the extent to which oil exports and the OFF programme were disrupted.
- In years 2 and 3, total reconstruction costs (before Iraq’s oil revenues were taken into account) would be between US\$2bn and US\$15bn per year. Oil revenues might allow Iraq to pay for most of this – if production levels and prices were favourable, Iraq did not have to repay its debts, and rehabilitation of Iraq’s oil infrastructure was cheap.

**165.** The draft paper stated that sources of financing for relief and reconstruction remained uncertain. The current US/UK approach was to maintain and expand the OFF programme as the central source of financing.

**166.** At the meeting, Mr Brown said that the burden of reconstruction should not be borne by the US and UK alone; other countries and Iraqi oil revenues should be tapped.<sup>86</sup> In the longer term, Iraqi oil should fund the country’s reconstruction.

**167.** Mr Blair concluded that Mr Brown should draw up “a funding plan, including securing funding from wider international sources, in particular the IFIs”. The Treasury sent that plan to No.10 on 14 March.

<sup>82</sup> Minute Rycroft to Prime Minister, 7 March 2003, ‘Iraq: Weekend Papers’.

<sup>83</sup> Letter Gooderham to Chilcott, 13 March 2003, Iraq: Day After: The Oil Sector’.

<sup>84</sup> Letter Cannon to Owen, 7 March 2003, ‘Iraq: Post-Conflict Issues’.

<sup>85</sup> Email Dodds to Private Office [Treasury], 4 March 2003, ‘Iraq: Ministerial Meeting on Thursday Morning’ attaching Paper DFID [draft], March 2003, ‘Iraq Relief and Reconstruction Costs: an Overview’.

<sup>86</sup> Letter Cannon to Owen, 7 March 2003, ‘Iraq: Post-Conflict Issues’.

**168.** On 8 March, the US Army Corps of Engineers (USACE) awarded a contract for the repair of Iraq's oil infrastructure, worth up to US\$7bn, to the US engineering company Kellogg, Brown and Root (KBR).<sup>87</sup> *Hard Lessons* reported that the contract was the single largest reconstruction contract in Iraq and the largest known sole-source contract in US history.

**169.** Mr Mike O'Brien, FCO Minister of State, visited Washington on 13 March to discuss post-conflict issues with US interlocutors.<sup>88</sup>

**170.** A senior official from the NSC briefed Mr O'Brien on US plans for the oil sector.<sup>89</sup> The British Embassy Washington reported that the NSC was expecting Saddam Hussein to inflict "massive damage" on Iraq's oil infrastructure; contracts had been let to US companies to control the damage.

**171.** The NSC official advised that a small, US, senior management team for the oil sector had been assembled. Its first task would be to assess reconstruction and investment needs. The team would need to be headed by an Iraqi.

**172.** The official said that the NSC agreed on the need for a UN role in ensuring transparency, but thought that the UN was not able to run the oil sector. That would be a job for the oil sector management team, "reporting first and foremost to the Coalition".

**173.** The official also advised that the NSC agreed with much of the UK's oil policy paper, but identified three points of disagreement:

- The US did not think it was sensible to commit to restoring pre-invasion levels of production, when the Coalition could not know what damage would be inflicted on the oil infrastructure.
- The US foresaw legal problems in either the Coalition or the interim Iraqi administration letting new oil development contracts (which would be long-term commitments) during the "transitional phase". Depending on the situation on the ground, it might make more sense to suspend the existing six or seven oil development contracts, with a view to them being renegotiated in due course by a sovereign Iraqi Government.
- The US thought it was unrealistic to envisage private finance emerging early on.

**174.** The Inquiry has not seen the version of the oil policy paper passed to the US.

**175.** Dr Rice gave Sir David Manning an account of White House thinking on the handling of Iraqi oil on 13 March.<sup>90</sup> The OFF programme should be left in place, and phased out when there was an Iraqi entity ready to take control of oil revenues.

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<sup>87</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>88</sup> Telegram 341 Washington to FCO London, 13 March 2003, 'Iraq Day After: Mr O'Brien's Visit'.

<sup>89</sup> Letter Gooderham to Chilcott, 13 March 2003, Iraq: Day After: The Oil Sector'.

<sup>90</sup> Minute Cannon to Owen, 14 March 2003, 'Iraq: Iraqi Oil Post-Conflict'.

The US also wanted to make clear that military operations would not be paid for out of Iraqi oil money.

**176.** Ms Patricia Hewitt, the Trade and Industry Secretary, wrote to Mr Blair on 13 March seeking confirmation that she could, if necessary, signal the UK's agreement to the release of a modest amount of the IEA's oil stocks, to reassure oil markets.<sup>91</sup> She described the oil markets as "extremely nervous".

**177.** No.10 replied the following day, confirming that while Mr Blair agreed the broad approach proposed, he would like to be consulted before any final decision was taken.<sup>92</sup>

**178.** On 14 March, the FCO instructed the UK Permanent Mission to the UN in New York to start discussions with the US delegation on a possible resolution to modify the OFF programme and sanctions regime in the event of military action and the absence of an "effective Iraqi Government".<sup>93</sup> The FCO believed that that resolution might best be tabled immediately after the start of military operations.

**179.** The UK wanted the OFF programme to continue "for some time", to enable Iraq to export oil and import and distribute humanitarian goods until new government structures existed that could take on those functions.

**180.** The FCO proposed that to enable the OFF programme to continue, the UN Secretary-General should fulfil a number of functions that were currently reserved for the Iraqi Government, including the authority to spend OFF programme funds.

**181.** The UK position was summarised in the FCO background papers for the Azores Summit, sent to No.10 on 15 March:

"If the Iraqi regime falls, new arrangements will need to be put in place to enable the OFF to keep functioning. Our current plan is to table a resolution soon after conflict starts, transferring authority for ordering and distributing goods to the UN Secretary-General ... [W]e would hope that the Secretary-General would be able to transfer full control over oil revenues to a properly representative Iraqi Government as soon as possible (not as the US have suggested, an Iraqi 'entity', which could, particularly if US appointed, fuel suggestions that the Coalition was seeking to control Iraqi oil)."<sup>94</sup>

<sup>91</sup> Minute Hewitt to Blair, 13 March 2003, 'Iraq and the oil market'.

<sup>92</sup> Letter Jones to Zimmer, 14 March 2003, 'Iraq and the oil market'.

<sup>93</sup> Telegram 149 FCO London to UKMIS New York, 14 March 2003, Iraq – Military Action – Sanctions and Oil for Food – Strategy Paper.

<sup>94</sup> Letter Owen to Rycroft, 15 March 2003, 'Azores Summit' attaching Paper FCO, 'Iraq – Oil for Food Programme (OFF) and Sanctions'.

**182.** On 14 March, in response to Mr Blair's 6 March request, Mr Mark Bowman, Mr Brown's Principal Private Secretary, sent No.10 a Treasury paper on financing Iraq's reconstruction.<sup>95</sup>

**183.** The Treasury estimated that the total cost of Iraq's reconstruction could be up to US\$45bn for the first three years (US\$15bn a year) and warned that, without UN authorisation of arrangements for a transitional administration, Iraqi oil might pay for only a fraction of that.

**184.** The Treasury advised that the best way to pay for reconstruction would be to spread the burden as widely as possible, drawing in contributions from non-combatants, IFIs and Iraq itself, and ensuring Iraqi revenues were not diverted into debt or compensation payments. By far the most significant factor in making that happen would be political legitimacy conferred by the UN.

**185.** The Treasury stated that the OFF programme provided "an obvious way to pay for immediate humanitarian needs", using the approximately US\$4bn unspent in the OFF account and by restarting oil exports. That depended on oil production facilities surviving the conflict relatively intact. In the most benign circumstances, with rapidly increasing production and high oil prices, oil revenues "could make a very significant contribution" to ongoing relief and reconstruction. The securitisation of future oil revenues was another possible source of funds, but Iraq had already accumulated "massive and probably unsustainable debts" that way.

**186.** President Bush, Mr José María Aznar, the Prime Minister of Spain, and Mr Blair discussed Iraq at the Azores Summit on 16 March.<sup>96</sup>

**187.** The FCO background papers sent to No.10 in advance of the Summit included a revised version of the UK's 'A Vision for Iraq and the Iraqi People' (see Section 6.5).<sup>97</sup> The UK intended that the document, which would be launched at the Summit, would reassure Iraqis and wider audiences of the Coalition's intentions for Iraq after Saddam Hussein's departure.

**188.** The revised version included a number of changes from the version produced the previous month, including the addition of a reference to Iraq's oil industry being managed "fairly and transparently".

**189.** The statement issued by President Bush, Prime Minister Aznar and Mr Blair at the Summit on 16 March shared much of the substance of the revised version of the UK's

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<sup>95</sup> Letter Bowman to Cannon, 14 March 2003, [untitled] attaching Paper Treasury, March 2003, 'Financing Iraqi Reconstruction'.

<sup>96</sup> Letter Manning to McDonald, 16 March 2003, 'Iraq: Summit Meeting in the Azores: 16 March'.

<sup>97</sup> Minute Bristow to Private Secretary [FCO], 14 March 2003, 'A Vision for Iraq and the Iraqi People'.

‘A Vision for Iraq and the Iraqi People’.<sup>98</sup> Key differences included the omission of any explicit reference to oil. On post-conflict reconstruction, the three leaders declared:

“We will work to prevent and repair damage by Saddam Hussein’s regime to the natural resources of Iraq and pledge to protect them as a national asset of and for the Iraqi people. All Iraqis should share the wealth generated by their national economy ...

“... We will also propose that the [UN] Secretary-General be given authority, on an interim basis, to ensure that the humanitarian needs of the Iraqi people continue to be met through the Oil-for-Food program.”

**190.** A specially convened Cabinet, the last before the invasion, was held at 1600 on 17 March.<sup>99</sup> Mr Blair told Cabinet that the US had confirmed that it “would seek a UN mandate for the post-conflict reconstruction of Iraq”. Oil revenues would be administered under the UN’s authority.

**191.** Mr Peter Gooderham, Counsellor at the British Embassy Washington, reported to IPU on the same day on a further meeting with a senior NSC official.<sup>100</sup> The official had advised that, while the NSC fully understood the UK’s “desire for maximum UN legitimacy and transparency in running the oil sector ... other equities in the [US] Administration continued to see no need for this”.

**192.** In his speech in the House of Commons on 18 March, Mr Blair stated that:

“There should be a new United Nations resolution following any conflict providing not only for humanitarian help, but for the administration and governance of Iraq ...

“And this point is also important: that the oil revenues, which people falsely claim that we want to seize, should be put in a trust fund for the Iraqi people administered through the UN.”<sup>101</sup>

## The invasion and immediate aftermath

**193.** The invasion of Iraq began on the night of 19-20 March 2003. Military operations during the invasion are described in Section 8.

**194.** Official exports of Iraqi oil ceased on 22 March.<sup>102</sup>

**195.** Between 18 March and 22 April, updates on key events relating to Iraq produced by COBR, the UK Government’s crisis management and co-ordination facility, were

<sup>98</sup> Statement of the Atlantic Summit, 16 March 2003, *A Vision for Iraq and the Iraqi People*.

<sup>99</sup> Cabinet Conclusions, 17 March 2003.

<sup>100</sup> Letter Gooderham to Chilcott, 17 March 2003, ‘Iraq Day After: Oil Sector’.

<sup>101</sup> House of Commons, *Official Report*, 18 March 2003, column 771.

<sup>102</sup> Paper IPU, 22 April 2003, ‘Oil/Energy Policy for Iraq’.

circulated to senior officials and departments twice a day.<sup>103</sup> The evening updates included a report on the state of the oil market, and on changes to UK retail petrol and diesel prices.

**196.** The price of oil quickly stabilised.

**197.** The COBR evening update for 18 March reported that prices for Brent crude had fallen to around US\$27 a barrel, following heavy selling in expectation of a short war.<sup>104</sup> The IEA was monitoring the market, and stood ready to release stocks if necessary.

**198.** The MOD informed No.10 on 23 March, in its first report to No.10 on the progress of the military campaign, that all the southern oilfields were now “secure and under Coalition control”.<sup>105</sup>

**199.** The MOD informed No.10 on 25 March that “Iraqi attempted sabotage [of the southern oilfields] has been unsuccessful”.<sup>106</sup>

**200.** The Cabinet discussed the humanitarian situation in Iraq on 27 March.<sup>107</sup> Mr Hoon said that securing Iraq’s essential economic infrastructure had been achieved through seizing the southern oilfields almost intact. The sooner the oil could flow again, the sooner the profits could be used for the Iraqi people.

**201.** COBR reported on 10 April that oil prices continued to fluctuate around US\$25 a barrel.<sup>108</sup> Market attention was turning away from day-to-day developments in Iraq and towards “underlying fundamentals”. The IEA estimated that despite disruption to Iraqi and Nigerian oil supplies, global oil production had increased by 1 percent between February and March.

**202.** The COBR evening update for 12 April reported that the Kirkuk oilfields had been seized “almost entirely intact”.<sup>109</sup>

**203.** The final meeting of the COBR (Iraq) Group was held on 23 April.<sup>110</sup> Mr Drummond reported that the impression from that meeting was of “returning normality”, including with the stabilisation of the oil price at around US\$25 a barrel and UK fuel prices starting to come down.

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<sup>103</sup> Minute Cabinet Office [junior official] to Manning, ‘Iraq: COBR Round Up of Key Events – 18 March’; Minute Cabinet Office [junior official] to Manning, ‘Iraq: COBR Round Up of Key Events – 22 April’.

<sup>104</sup> Minute Cabinet Office [junior official] to Manning, 18 March 2003, ‘Iraq: COBR Round Up of Key Events – 18 March’.

<sup>105</sup> Letter Watkins to Manning, 23 March 2003, ‘Iraq: Progress of Military Campaign’ attaching Report, [undated], ‘Iraq: Progress of Military Campaign’.

<sup>106</sup> Letter Watkins to Rycroft, 25 March 2003, ‘Iraq: Military Campaign’ attaching Report, [undated], ‘Iraq: Campaign Achievements (as at 25 March 2003)’.

<sup>107</sup> Cabinet Conclusions, 27 March 2003.

<sup>108</sup> Minute Cabinet Office [junior official] to Manning, 10 April 2003, ‘Iraq: COBR Round Up of Key Events – 10 April’.

<sup>109</sup> Minute Dodd to Manning, 12 April 2003, ‘Iraq: COBR Round Up of Key Events – 12 April’.

<sup>110</sup> Minute Drummond to Manning, 24 April 2003, ‘COBR(Iraq)’.



**204.** Oil production fell sharply during military operations, before recovering. The oil sector was severely disrupted by looting.

**205.** *Hard Lessons* recorded that during and immediately after the invasion there was no “serious” sabotage of the northern or southern oilfields, with only nine fires reported.<sup>111</sup>

**206.** In contrast, the effect of looting and the developing insurgency was more severe than the US had expected:

“In the south, where US troops bypassed the oil infrastructure on the way to Baghdad, vandals and thieves stripped facilities of anything of value. Oil advisers had identified key installations that needed to be protected, but ‘[the military] said they didn’t have enough people to do that’ ...”

**207.** The Ministry of Oil in Baghdad was also looted.

**208.** The June 2003 Economist Intelligence Unit (EIU) Country Report for Iraq, citing figures from the IEA, assessed that Iraqi crude oil output fell from 2.5m bpd in February to 1.4m bpd in March, and then to “a paltry” 170,000 bpd in April.<sup>112</sup> Following the cessation of major hostilities, output increased. Iraqi officials suggested that by early June approximately 525,000 bpd were being produced in the north and around 300,000 bpd in the south of Iraq. Domestic demand was estimated to be 600,000 bpd.

**209.** The Cabinet Office advised Ministers in mid-August 2003 that oil production had been severely disrupted by looters and saboteurs in the initial months after the conflict.<sup>113</sup> All the major oilfields had been affected. That disruption had cost US\$3bn in lost oil export revenue over the 100 days following the end of the conflict.

## Negotiations with the US over the control of Iraqi oil revenues

**210.** Planning for post-conflict Iraq continued after the beginning of military operations.

**211.** UK policy towards post-conflict Iraq continued to be based on the assumption that after a short period of US-led, UN-authorized military Occupation, the UN would administer and provide a framework for the reconstruction of post-conflict Iraq (see Section 6.5).

**212.** In the context of negotiations with the US on what would become resolution 1483 (2003), the UK argued that the Coalition should not have sole control over Iraqi oil revenues.

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<sup>111</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>112</sup> Economist Intelligence Unit, June 2003, *Country Report for Iraq*.

<sup>113</sup> Letter Drummond to Owen, ‘Iraq: Update for Ministers’ attaching Paper Cabinet Office, 14 August 2003, ‘Iraq: Update for Ministers, 14 August 2003’.

**213.** Ms Kara Owen, Mr Straw's Private Secretary, wrote to Sir David Manning on 20 March, advising that the US envisaged that control of the OFF programme would pass from the UN Secretary-General to "authorities in Iraq" within 90 days.<sup>114</sup> Ms Owen advised that that short time-scale suggested that the US was thinking that control over the OFF programme should be handed over to either Coalition Forces or a non-representative interim administration established by the US rather than, as the UK wanted, a credible representative Iraqi Government. The US proposal was likely to run into major objections in the Security Council, and would be likely to be perceived as an attempt to "grab Iraqi oil".

**214.** Ms Owen suggested that Sir David might need to discuss the issue soon with Dr Rice.

**215.** Mr Bowen circulated draft 'British Post-Conflict Objectives' to senior officials in the FCO, the MOD and DFID on 25 March.<sup>115</sup> The text incorporated earlier comments from some departments.

**216.** The draft stated:

"With others, we will help revive the Iraqi economy and assist reform by:

- working with the UN to manage Iraq's oil revenues in order to achieve the maximum benefit for the Iraqi people in an accountable and transparent manner ..."

**217.** There is no indication whether the objectives were ever adopted formally.

**218.** Resolution 1472 (2003) was adopted unanimously by the UN Security Council on 28 March.<sup>116</sup> The resolution gave the UN Secretary-General authority to purchase medical supplies and Iraqi goods and services under the OFF programme, for a period of 45 days (until 10 May). The resolution did not give the UN Secretary-General authority to sell Iraqi oil.

**219.** The UK Government's view was that until sanctions on Iraq were lifted or the Security Council agreed a further resolution amending the OFF programme, the Coalition did not have the power to export Iraqi oil.<sup>117</sup>

**220.** Section 9.1 describes the UK's efforts to develop a resolution which would further extend the OFF programme and authorise the UN Secretary-General to sell Iraqi oil and buy the full range of humanitarian supplies.

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<sup>114</sup> Letter Owen to Manning, 20 March 2003, 'Iraq – Oil for Food'.

<sup>115</sup> Letter Bowen to Chaplin, 25 March 2003, 'Iraq: Post Conflict Objectives' attaching Paper [draft], 25 March 2003, 'Iraq: British Post-Conflict Objectives'.

<sup>116</sup> UN Security Council Resolution 1472 (2003).

<sup>117</sup> Paper IPU, 22 April 2003, 'Oil/Energy policy for Iraq'.

**221.** Mr Blair and President Bush discussed post-conflict issues at Camp David on 26 and 27 March.<sup>118</sup>

**222.** In advance of the meeting, Mr Straw's Private Office sent Mr Rycroft a negotiating brief for what was to become resolution 1483, the resolution defining the roles of the UN and the Coalition in post-conflict Iraq.<sup>119</sup>

**223.** The negotiating brief, prepared by the IPU, identified five "key issues" on which US and UK positions differed, including the arrangements for dealing with Iraqi oil revenues:

"Some in the US are ... tempted to arrogate to themselves charge of the direction of a Trust Fund for Iraqi oil and other revenues, which will be used for meeting the costs of their administration of Iraq as well as for reconstruction ... this will open them (and by association us) to criticism that they are reneging on their promise to devote the oil revenues exclusively to the Iraqis."

**224.** Such a proposition had "nil chance" of approval by the Security Council:

"Either the UN or the Iraqis themselves (perhaps with World Bank/IMF help) must be seen to be in control of Iraqi revenues – certainly not the Coalition."

**225.** The brief concluded that, overall, the US approach amounted to:

"... asking the UNSC [Security Council] to endorse Coalition military control over Iraq's transitional administration, its representative institutions and its revenues until such time as a fully-fledged Iraqi government is ready to take over."

**226.** The brief set out a number of "propositions" which the IPU hoped Mr Blair and President Bush would agree, including:

"The UN or the Iraqis, not the Coalition, should manage oil revenues."

**227.** Also as briefing for the meeting, Mr Straw sent Mr Blair an FCO paper on Phase IV issues.<sup>120</sup>

**228.** The FCO advised that, on oil sector management, the US and UK agreed that the "overarching principles" were:

- disruption to the flow of Iraqi oil should be minimised;
- Iraq's oil wealth should be used for the benefit of the Iraqi people; and

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<sup>118</sup> Letter Manning to McDonald, 28 March 2003, Prime Minister's Meeting with President Bush at Camp David: Dinner on 26 March'.

<sup>119</sup> Letter Owen to Rycroft, 25 March 2003, 'Prime Minister's Visit to Washington: Iraq: UN Security Council Resolution on Phase IV' attaching Paper Iraq Planning Unit, 25 March 2003, 'Iraq: Phase IV: Authorising UNSCR'.

<sup>120</sup> Letter Straw to Prime Minister, 25 March 2003, 'Camp David: Post-Iraq Policies' attaching Paper FCO, 25 March 2003, 'Iraq: Phase IV Issues'.

- Iraqi oil business should be handled in as transparent and even-handed a manner as possible.

**229.** The US and UK also agreed that all decisions on the development of the Iraqi oil industry (such as privatisation and the exploration of new fields) should be deferred until a new Iraqi Government was in place.

**230.** The FCO advised that the US was considering setting up a trust fund for oil and other revenues. Whatever the arrangement:

“... the key point is that **decisions on using the funds should not be taken by the Coalition**. Until the Iraqi interim authority has the capacity to operate a budget, the UN Secretary-General (or the UN Special Co-ordinator) should continue to decide on spending priorities, as he will do under the amended OFF arrangements.”

**231.** The FCO also advised that Iraq’s oil revenues would not cover the cost of reconstruction, particularly in the short term. The cost of reconstruction needed to be shared with other countries.

**232.** The UK Treasury received a paper from the US Treasury on 26 March, proposing the creation of two Trust Funds:

- one to hold donor funds, to be administered by the World Bank; and
- one – the Iraqi Economic Recovery Fund (IERF) – to hold oil revenues and unfrozen Iraqi assets. The IMF would manage and invest the IERF’s assets, but the “CPA/IIA” [Coalition Provisional Authority/Iraq Interim Authority] would have sole authority over how IERF funds were spent.<sup>121</sup>

**233.** Mr Blair and President Bush met at Camp David on 26 and 27 March.<sup>122</sup> At dinner on the first evening, Mr Blair told President Bush that he did not want his visit to Camp David to focus primarily on a resolution to deal with post-conflict Iraq. The question about what sort of resolution was needed for the administration and reconstruction of Iraq should be parked.

**234.** Mr Rycroft sent Mr Blair a UK Treasury paper considering the US Treasury’s proposal to establish two Trust Funds on 31 March.<sup>123</sup>

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<sup>121</sup> Paper Treasury, 28 March 2003, ‘International Oversight of Iraqi Reconstruction’ attaching Fax US official to Cunliffe, 26 March 2003, [untitled].

<sup>122</sup> Letter Manning to McDonald, 28 March 2003, Prime Minister’s Meeting with President Bush at Camp David: Dinner on 26 March’.

<sup>123</sup> Minute Rycroft to Blair, 31 March 2003, ‘Iraq: Reconstruction’ attaching Paper Treasury, 28 March 2003, ‘International Oversight of Iraqi Reconstruction’.

**235.** The UK Treasury advised that the main problem with the US proposal was that it assumed a certain interim governance arrangement for post-conflict Iraq which had not yet been endorsed internationally. The “best outcome” for the UK would be:

“... a UN-authorized Transitional Administration or Iraqi Government, accompanied by a ‘Consultative Group’ of donors ... chaired by the World Bank.

“Initially oil funds might continue to be managed under the Oil-for-Food programme. Gradually, and as sanctions are lifted, the UN-backed Iraqi authority would take control of domestic resources under suitable safeguards, e.g. over transparency of fiscal actions, contracts etc.”

**236.** Mr Rycroft commented:

“We need to get the US back to what they said at Camp David was their policy: returning Iraqi sovereignty to Iraqi people.”

**237.** Mr Blair spoke to President Bush later that day.<sup>124</sup> Mr Blair stated that a clearer picture was needed of the shape of a post-Saddam Iraq to “sketch out a political and economic future and dispel the myth that we were out to grab Iraq’s oil”.

**238.** After the discussion, Mr Blair sent President Bush two Notes, one on communications and one entitled ‘Reconstruction’.<sup>125</sup>

**239.** The Note on reconstruction set out the UK’s response to the two funds proposed by the US. It stated that using the World Bank and the IMF to administer the funds was sensible but would run into problems:

- Channelling oil revenues through IFIs rather than straight to the IIA could “easily be misrepresented”, and the proposal would need to be included in the next resolution.
- Without UN agreement, the IFIs were unlikely to agree to administer the funds.
- The UK, Japan and others could only unblock assets with UN authority.
- “Our posture should be for the IIA to take on responsibility as soon as possible, i.e. Iraq for the Iraqis, not us or the UN.”

**240.** The Note stated that an amended proposal had been submitted by the UK Treasury, which envisaged some oil revenues going into a gradually declining OFF programme and the remainder (plus unfrozen assets) going into “the reconstruction account”, which would be administered jointly by the IMF and World Bank. Funds from the account would be “directed to the IIA”.

<sup>124</sup> Letter Cannon to McDonald, 31 March 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 31 March’.

<sup>125</sup> Letter Manning to Rice, 31 March 2003, [untitled] attaching Notes [Blair to Bush], [undated], ‘Reconstruction’ and ‘Communications’.

**241.** The Note concluded that any proposal would need to be tailored in a way that could secure UN endorsement.

**242.** In preparation for the 8 April meeting between President Bush and Mr Blair at Hillsborough, Mr Rycroft chaired talks between US and UK officials on 4 April.<sup>126</sup>

**243.** The IPU provided Mr Rycroft with an annotated version of the agenda for the talks and a commentary on the latest US draft resolution on 3 April.<sup>127</sup>

**244.** The commentary described the UK's problems with the US draft, including that it specified that Iraqi oil revenues would be spent at the direction of the Coalition. That would be unacceptable to the Security Council.

**245.** The annotated agenda set out the UK position on that issue:

“We believe that, like the wider political process, this management [of oil revenues] has to be legitimised by the UN; and that it will only be acceptable to the UNSC [Security Council] if it involves some form of effective international oversight – about whose details we do not as yet have a firm view – until a representative Iraqi Government is ready to take over.”

**246.** The annotated agenda also stated that:

“Any decisions concerning the management of Iraq's oil reserves should be taken either by the UN or by the new Iraqi institutions. The Coalition's effort should focus on rehabilitating Iraq's existing infrastructure ...”

**247.** Mr Brenton reported by telegram on 4 April, to clarify US views on post-conflict Iraq.<sup>128</sup> While discussions had been “disproportionately dominated by hard-line DoD positions”, the reality was that “NSC rule” and it was close to the UK position on most of the post-conflict agenda. There was considerable common ground between the US (including DoD) and the UK, including on the need for oil revenues to be “in the hands of the Iraqis, with international oversight, and spent by the Coalition only for tasks agreed by the UNSCR [resolution]”.

**248.** Mr Nicholas Cannon, Mr Blair's Assistant Private Secretary for Foreign Affairs, wrote to Mr Simon McDonald, Principal Private Secretary to the Foreign Secretary, on 4 April, reporting the talks between US and UK officials.<sup>129</sup>

**249.** Mr Cannon reported that the US delegation had proposed that the bulk of Iraqi oil revenues should go into a fund under Coalition supervision, “if necessary with a

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<sup>126</sup> Minute Rycroft to Blair, 4 April 2003, ‘Future of Iraq’.

<sup>127</sup> Letter Chilcott to Rycroft, 3 April 2003, ‘Iraq: Phase IV: Meeting with US Officials’ attaching Paper IPU, [undated], ‘Comments on US Draft Post Conflict Iraq Resolution’.

<sup>128</sup> Telegram 448 Washington to FCO London, 4 April 2003, ‘Iraq: Post Conflict’.

<sup>129</sup> Letter Cannon to McDonald, 4 April 2003, ‘Iraq, Post-Conflict Administration: US/UK Talks, 4 March [sic]’.

double-signature arrangement with the IIA, but initially ORHA only”. US Treasury officials in the US delegation said that whoever controlled oil revenues controlled the direction of reconstruction; it was not acceptable that the UN should handle Iraq’s budget.

**250.** Mr Cannon did not report any UK response to those arguments.

**251.** Mr Straw’s office sent Mr Rycroft an IPU brief on 7 April, for Mr Blair to use at the Hillsborough meeting.<sup>130</sup> The IPU advised:

“We agree that, as Condi [Dr Rice] said at Camp David, future oil arrangements should be put into the hands of Iraqis, with international oversight, as soon as possible. But **it is unrealistic to think that the UN Security Council, which controls Iraq’s oil revenues, will agree to give directional power over them to the Coalition.** It will need a new UNSCR to take control over the revenues from the UN and give it to someone else. We don’t think that IIA should have unfettered power over spending. We need to design a system where the IFIs have sufficient oversight of the IIA’s activities for us to have confidence. We won’t get UNSCR agreement to Jay Garner’s signature – in any circumstances.”

**252.** Section 9.1 describes the discussions at Hillsborough between Mr Blair and President Bush on 7 and 8 April, which focused on the role of the UN in post-conflict Iraq.

**253.** During the meeting, Dr Rice said that the US and UK needed to divide what had to be done by the Occupying Power, from what could be left to a future Iraqi Government.<sup>131</sup> On oil, short-term tasks for the Coalition should include: repairing the oilfields; getting Iraqis back to work; and starting to pump oil. The long-term issues would include future contracts.

**254.** Mr Straw said that a UN role would be needed to regularise the sale of Iraqi oil.

**255.** General Franks issued his “Freedom Message to the Iraqi People” on 16 April.<sup>132</sup> The message referred to the Coalition Provisional Authority (CPA).

**256.** The creation of the CPA, which subsumed ORHA, signalled a major change in the US approach to Iraq, from a short military occupation to an extended US-led civil administration.

**257.** On 24 April, the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR) considered an IPU/FCO paper entitled ‘Oil/Energy Policy for Iraq’.<sup>133</sup> The paper stated that it was a “stock-take” which built on previous work by the IPU.<sup>134</sup>

<sup>130</sup> Letter Owen to Rycroft, 7 April 2003, ‘Hillsborough: Iraq’ attaching Paper IPU, 6 April 2003, ‘Iraq: Phase IV: Authorising UNSCR’.

<sup>131</sup> Letter Rycroft to McDonald, 8 April 2003, ‘Iraq: Prime Minister’s Meeting with Bush, 7-8 April’.

<sup>132</sup> Statement Franks, 16 April 2003, ‘Freedom Message to the Iraqi People’.

<sup>133</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>134</sup> Paper IPU, 22 April 2003, ‘Oil/Energy Policy for Iraq’.

**258.** The IPU/FCO paper reported that the oil price had fallen by US\$8 a barrel since early March, and had stabilised in the “mid-twenties”. Iraq’s oilfields had been undamaged by the fighting, although a few wells had been sabotaged. Those fires were now all extinguished. There had been some looting and damage to pipelines and oil refineries. There was a growing shortage of gas (for power stations), fuel and cooking gas, particularly in the South.

**259.** The IPU/FCO also reported that within the Security Council, oil remained a contentious issue; Council members had different motivations. The UK and US were keen to get Iraqi oil flowing again as soon as possible “to meet humanitarian/reconstruction needs”. France and Russia wanted to protect the interests of their companies that had existing contracts under the OFF programme.

**260.** The UK was proposing a three-phase approach to dealing with Iraqi oil and the OFF programme:

- To extend resolution 1472 to 3 June (the end of the current OFF programme phase), and possibly extend the OFF programme itself beyond 3 June. If the OFF programme continued “for any length of time”, the UN Secretary-General would need enhanced powers to sell Iraqi oil and buy the full range of humanitarian supplies.
- To pass control of Iraqi oil and gas revenues to a “credible interim administration” once one had been established, subject to certain checks: “The checks would be those necessary to assure us (the UK) that oil and oil revenues were protected against major mismanagement, corruption and national bias, lack of transparency or other unfairness in the awarding of contracts.”
- Those checks would have to be acceptable to the Security Council. They might comprise oversight of contracts by a representative of the UN Secretary-General or a committee of IFI representatives. Oversight by the Coalition would not be politically acceptable or achievable in the Security Council.
- To hand over full control over oil and oil revenues to a democratically elected Iraqi Government.

**261.** The IPU/FCO advised that the UK had stressed to the US its legal concerns on the limits to the authority of Occupying Powers to export oil outside the OFF programme while sanctions were in place, and to alter Iraqi oil policy or to carry out any structural reorganisation of the Iraqi oil industry. The US was “well aware” of the UK’s concerns.

**262.** The UK and the US agreed that all strategic decisions on the development of the oil industry should be left to a “representative Iraqi government” and that, in the meantime, all oil business should be handled in as transparent a manner as possible. The UK and the US also shared “a general concern” to avoid the centralisation of oil revenues in the hands of a minority, and to help limit their corrosive effect on political life.



**263.** Introducing the paper at the AHMGIR, an FCO official said that Iraq's oil infrastructure was in a better state than had been feared when the conflict began.<sup>135</sup> The UK was clear that the OFF programme was the only legal means for exporting Iraqi oil, "though some in the US wanted to find ways around this". The UK's strategy was to extend the OFF programme, then transfer control of oil revenues to the IIA "with some international oversight", and then transfer full control to a democratically elected Iraqi Government.

**264.** Ms Hewitt said that UK companies wanted a future Iraqi Government to establish a "level playing field" for oil industry contracts.

**265.** The AHMGIR agreed that the UK should:

- encourage Iraqi oil exports to recommence as soon as possible, but only after an appropriate resolution had been adopted;
- offer UK oil expertise to ORHA and in the medium term to the IIA; and
- leave future decisions on the shape of the Iraqi oil industry and the management of oil revenues to the new Iraqi Government, while advising on international best practice.

**266.** Mr John Bellinger, NSC, sent a US draft of a post-conflict resolution to Sir David Manning on 28 April.<sup>136</sup> It provided for:

- the creation of an Iraqi Development Fund, which would be audited by independent accountants and whose operations would be "monitored" by the UN Special Co-ordinator;
- funds in the Iraqi Development Fund to be disbursed "at the direction of the Coalition Provisional Authority";
- the resumption of oil sales at the market price; and
- the transfer of unspent OFF programme funds and oil revenues into the Iraqi Development Fund.

**267.** Section 9.1 describes negotiations between the UK and US on the draft resolution, which increasingly focused on the mandate of the UN Special Co-ordinator and the extension of the OFF programme.

**268.** Mr Straw, Sir David Manning, Sir Jeremy Greenstock, UK Permanent Representative to the UN, and FCO officials discussed the draft by video link with Secretary Powell and Dr Rice and US officials on 30 April.<sup>137</sup>

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<sup>135</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>136</sup> Letter Bellinger to Manning, 28 April 2003, [untitled], attaching Paper, [undated], 'Resolution on Post-Conflict Iraq'.

<sup>137</sup> Letter Cannon to McDonald, 30 April 2003, 'Iraq/UN: Video-Conference with Condi Rice and Colin Powell, 30 April'.

**269.** Sir Jeremy Greenstock said that the US and UK needed to establish who would have title to Iraqi oil, and who would control expenditure of oil revenues. Dr Rice responded that the Coalition, as the Occupying Power, was responsible for administering Iraq. It followed that control over Iraqi finances could not be transferred elsewhere. US legal advice was that the Coalition could sell Iraqi oil without UN cover if necessary. She concluded:

“The CPA would be the Government until the IIA took over, and so would write the cheques, even if this was dressed up with UN cover, or monitoring, or an international board.”

**270.** Mr Straw noted the presentational sensitivities of the Coalition using Iraq’s money.

**271.** During the meeting, Mr Rycroft and Mr Bellinger were tasked to go through the US draft in detail and produce a further version for discussion.<sup>138</sup>

**272.** Mr Bellinger sent a revised draft to Mr Rycroft later that day. The revised draft recorded separate UK and US language on who would control disbursement from the Iraqi Development Fund, and how it would be administered. The UK language gave control to “the authorities in Iraq, including the Interim Iraqi Administration when established”, the US language to the “Occupying Powers/CPA”.

**273.** Mr Straw, Sir David Manning, Sir Jeremy Greenstock and officials discussed the latest draft resolution by video link with Dr Rice and US officials on 1 May.<sup>139</sup>

**274.** On the Iraqi Development Fund, Sir Jeremy said that the lack of some provision for oversight or disbursement by the IIA would be a major problem for the Security Council. Dr Rice responded that the Security Council needed to recognise the facts on the ground; the Coalition was the Occupying Power and would need to be able to manage disbursement.

**275.** The record of the video conference did not indicate that any resolution was reached on the issue.

**276.** Mr Bellinger sent through a further US draft of a post-conflict resolution on 4 May.<sup>140</sup>

**277.** The draft stated that the Iraqi Assistance Fund should be disbursed “at the direction of the Authority, in consultation with the Iraqi Interim Authority”.<sup>141</sup> The Fund would be audited by independent accountants, and established “with an international advisory board”.

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<sup>138</sup> Letter Bellinger to Rycroft, 30 April 2003, attaching Paper [draft], [undated], ‘Resolution on Post-Conflict Iraq’.

<sup>139</sup> Letter Cannon to McDonald, 1 May 2003, ‘Iraq/UN: Video-Conference with Condi Rice, 1 May’.

<sup>140</sup> Letter Bellinger to Rycroft, 4 May 2003, [untitled] attaching Paper, [undated], ‘Resolution on Post-Conflict Iraq’.

<sup>141</sup> The term “the Authority” referred to the authorities of the Occupying Powers.

**278.** Mr Brenton spoke to Mr Bellinger and others about the draft the following day, and highlighted UK concerns on a number of issues including the move from “monitoring” to “auditing” the Fund.<sup>142</sup>

**279.** The next US draft of a post-conflict resolution was sent to Mr Rycroft and Sir David Manning on 6 May.<sup>143</sup> Text relating to the operation of the Iraqi Assistance Fund was unchanged.

**280.** Later that day, Mr Straw chaired a video conference with Dr Rice, Secretary Powell, Sir Jeremy Greenstock and others to discuss the draft.<sup>144</sup>

**281.** During the video conference, it was agreed that the draft should include reference to monitoring, as well as auditing, oil sales.

**282.** The Annotated Agenda for the 15 May meeting of the AHMGIR stated that initial discussions on a draft resolution in the Security Council had been as positive as could be expected.<sup>145</sup> Concerns had focused on a need for clarity in three areas:

- the extent of the UN role;
- the political process, in particular the exact nature of the IIA; and
- arrangements for oversight of oil sales and disbursement of oil revenue, as well as the fate of existing contracts under the OFF programme.

**283.** The Annotated Agenda also stated that the US wanted the resolution adopted by 22 May, as this was the date by which they wished to start exporting oil to avoid a lack of storage capacity affecting production and the local supply of gas and petrol.

**284.** Mr Blair and President Bush spoke on 16 May.<sup>146</sup> Action in the UN seemed to be going well and Mr Blair proposed two areas (a UN “Special Representative” rather than “Special Co-ordinator” and greater transparency of oil sales) in which the resolution might be amended if tactically necessary.

**285.** Resolution 1483 (2003) was adopted on 22 May.<sup>147</sup> The resolution:

- lifted all sanctions on Iraq except those related to arms;
- noted the establishment of the Development Fund for Iraq (DFI), which would be audited by independent public accountants approved by the International Advisory and Monitoring Board (IAMB);

<sup>142</sup> Telegram 589 Washington to FCO London, 5 May 2003, ‘Iraq: Draft UNSCR’.

<sup>143</sup> Minute Bellinger to Rycroft and Manning, 6 May 2003, ‘Revised Draft: UNSCR’ attaching Paper, [undated], ‘Resolution on Post-Conflict Iraq’.

<sup>144</sup> Letter Cannon to McDonald, 6 May 2003, ‘Iraq/UN: Video-Conference with Condi Rice and Colin Powell, 6 May’.

<sup>145</sup> Annotated Agenda, 15 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>146</sup> Letter Cannon to McDonald, 16 May 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 16 May’.

<sup>147</sup> UN, Press Release SC/7765, 22 May 2003, *Security Council lifts sanctions on Iraq, approves UN role, calls for appointment of Secretary-General’s Special Representative*.

- looked forward to the early meeting of the IAMB, which would include representatives of the UN Secretary-General, the IMF, the Arab Fund for Social and Economic Development, and the World Bank;
- noted that disbursements from the DFI would be “at the direction of the Authority, in consultation with the interim Iraqi administration”;
- underlined that the DFI would be used “in a transparent manner to meet the humanitarian needs of the Iraqi people, for the economic reconstruction and repair of Iraq’s infrastructure, for the continued disarmament of Iraq, and for the costs of Iraqi civilian administration, and for other purposes benefiting the people of Iraq”;
- decided that all export sales of Iraqi petroleum, petroleum products and natural gas should be made “consistent with prevailing international market best practices”, and that 95 percent of the revenue should be deposited into the DFI (with five percent deposited into the UN Compensation Fund for victims of Saddam Hussein’s 1990 invasion of Kuwait); and
- requested the UN Secretary-General to continue operation of the OFF programme for up to six months from 22 May.<sup>148</sup>

**286.** Mr Straw told a meeting of Cabinet the same day that:

“This Security Council Resolution would put the Coalition’s work in Iraq on a firm basis, including for oil sales.”<sup>149</sup>

**287.** *Hard Lessons* recorded that the resolution cleared the way for the resumption of oil exports.<sup>150</sup> The first sale was made on 22 June.

**288.** Sir Jon Cunliffe told the Inquiry that the UK’s position in the negotiations over resolution 1483 had been informed by its concern to maintain legitimacy and accountability as an Occupying Power:

“... there was great suspicion that ... the war was designed to get hold of Iraqi oil revenues and was being inspired by the US oil industry ... we thought it was very important for the perception in the international community that these [oil] resources were controlled transparently and at arm’s length and in a proper way we could account for them. We thought it would make a huge difference as to whether we could get other countries to join us in the reconstruction effort ... and we also thought that it was important for the UK generally to ensure they were used efficiently on the ground in Iraq.”<sup>151</sup>

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<sup>148</sup> UN Security Council Resolution 1483 (2003).

<sup>149</sup> Cabinet Conclusions, 22 May 2003.

<sup>150</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>151</sup> Public hearing, 9 July 2010, page 38.

“So our view of how this should be managed, accounted for, was different to the US view and there was a lot of discussion around the drafting of the resolution, and just how the resources would feed into the CPA and who would have control over them.”

## Oil policy under the Coalition Provisional Authority

**289.** Ambassador Paul Bremer III arrived in Baghdad on 12 May, to lead the CPA.

**290.** The names ORHA and CPA continued to be used interchangeably in documents seen by the Inquiry for some time after the creation of the CPA.

**291.** From late May, Ministers received reports that the CPA was not consulting the UK on policy issues in the oil sector.

**292.** The Annotated Agenda for the 22 May meeting of the AHMGIR stated that the US was driving decisions on the management of the oil sector.<sup>152</sup> The Iraqi Ministry of Oil was “run by” a US-appointed Interim Management Team, headed by an Iraqi official. That official was “effectively steered by” an Oil Advisory Board (OAB) chaired by an American (though the majority of Board members were Iraqis). The OAB planned a strategic review of the oil sector; the UK hoped that the recent arrival in the CPA of a DTI oil expert would increase its knowledge of CPA plans for the sector.

**293.** Ms Hewitt’s briefing for the AHMGIR set out the problem more explicitly.<sup>153</sup> The UK had had considerable difficulty in getting hold of the OAB’s terms of reference, and was not therefore able to establish whether it was legally constituted. A UK national was being sounded out to sit on the OAB. That could bring a different perspective and help encourage a transparent oil sector policy, but those advantages needed to be weighed against the legal uncertainties surrounding the OAB and the presentational issues of a more visible UK role in managing Iraq’s oil.

**294.** The Annotated Agenda also stated that TPUK’s ability to promote Iraq to UK oil companies was constrained by “political sensitivities and lack of ground knowledge”.<sup>154</sup> UK oil companies would only deal with a “legally acceptable authority” and remained to be convinced that one was in place:

“But most of this will change if there is a new UN resolution,<sup>155</sup> and we are reaching the stage where we and UK companies must engage or lose out. We are therefore beginning to encourage UK companies to become more closely involved in the oil sector in the same way as they are in other areas of rehabilitation.”

<sup>152</sup> Annotated Agenda, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>153</sup> Minute Briggs to PS/Mrs Hewitt, 21 May 2003, ‘Sixth Meeting of Ad Hoc Ministerial Group on Iraq Rehabilitation: 22 May 2003’.

<sup>154</sup> Annotated Agenda, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>155</sup> A reference to resolution 1483 (2003), which was adopted that day.

**295.** The AHMGIR agreed that the DTI should encourage UK oil companies to “develop strategies towards the Iraqi oil sector and otherwise help the UK take advantage of oil opportunities”.<sup>156</sup>

**296.** A week later, Ministers were informed that the DTI planned a series of meetings with the major oil companies, “to begin to discuss more general Iraq oil issues discreetly”.<sup>157</sup>

**297.** Oil production was estimated at between 400,000 and 500,000 bpd; the target was to reach between 2.5m and 2.8m bpd (described as the pre-conflict level) by the end of 2003.

**298.** From early June 2003, and throughout the summer, there were signs that security in both Baghdad and the South was deteriorating (see Section 9.2).

**299.** A paper on the management of the DFI was submitted to the 5 June meeting of the AHMGIR (chaired by Mr Straw).<sup>158</sup>

**300.** The paper stated that while resolution 1483 made the UK jointly responsible (with the US) for disbursements from the DFI, it contained little detail on how the DFI should be managed. The UK needed to settle that issue quickly with the US; spending decisions could start being made in the next few weeks. The management arrangements needed to meet the UK’s objectives in terms of transparency and accountability; in particular, the arrangements needed to meet the commitments in the resolution to use resources in the DFI “in a transparent manner” and to ensure that oil sales were “made consistent with international best practice”.

**301.** The Annotated Agenda for the meeting stated that the CPA had circulated a draft regulation which gave the US Administration “sole oversight” over DFI spending.<sup>159</sup> Such an arrangement would marginalise UK influence and risk presentational problems, but was not settled US policy. The UK was lobbying in Washington and Baghdad to amend the draft regulation.

**302.** On 9 June, Ms Cathy Adams from the Legal Secretariat to the Law Officers sent a reply to a letter of 21 May from FCO Legal Advisers seeking advice on resolution 1483.<sup>160</sup>

**303.** Ms Adams advised that the resolution clearly imposed joint US/UK responsibility for disbursements from the DFI, and that it was therefore important to ensure that the

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<sup>156</sup> Minutes, 22 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>157</sup> Paper Cabinet Office, 29 May 2003, ‘Iraq: Update for Ministers’.

<sup>158</sup> Annotated Agenda, 5 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting, attaching Paper, [undated], ‘Implications of and Modalities for the Development Fund for Iraq’.

<sup>159</sup> Annotated Agenda, 5 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>160</sup> Letter Adams to Llewellyn, 9 June 2003, ‘Iraq: Effect of Security Council Resolution 1483 on the Authority of the Occupying Powers’.

US Government did not take actions in relation to the DFI which were incompatible with the resolution. She continued:

“The fact that the resolution imposes joint responsibility gives the UK a locus to argue with the US that we should be fully involved in the decision-taking process. Anything less would be legally risky.”

**304.** The following day, 10 June, the CPA issued a regulation that gave Ambassador Bremer, as “Administrator of the CPA”, authority to oversee and control the establishment, administration and use of the DFI and to direct disbursements from the DFI “for those purposes he determines to be for the benefit of the Iraqi people”.<sup>161</sup>

**305.** The regulation also established a Program Review Board (PRB) to develop funding plans and make recommendations to Ambassador Bremer on expenditures from the DFI, “in consultation with the Iraqi interim administration, when established”.

**306.** The CPA issued a further regulation on 18 June, detailing the operation of the PRB.<sup>162</sup> Voting members of the PRB included representatives of the Iraqi Ministry of Finance and the UK. Non-voting members included the representatives of the IMF, World Bank, UN Special Representative of the Secretary-General (SRSG), and IAMB.

**307.** An IPU update on reconstruction which was sent to No.10 on 20 June advised that the DFI regulations “met some, but not all of our key requirements”.<sup>163</sup>

**308.** The UK’s efforts to scrutinise disbursements from the DFI are considered later in this Section.

**309.** Mr Andy Bearpark, a UK national, arrived in Baghdad on 16 June to take up the post of CPA Director of Operations.<sup>164</sup>

**310.** Mr Bearpark told the Inquiry that, shortly after arriving in Baghdad, Ambassador Bremer asked him to take on responsibility for all the Iraqi infrastructure Ministries with the exception of the Ministry of Oil.<sup>165</sup> At that point, his title had changed to Director of Operations and Infrastructure.

**311.** The Inquiry asked Mr Bearpark why he had been excluded from the oil sector.<sup>166</sup> He responded:

“It was never, ever said to me officially – and it was certainly never, ever put in writing, but every member of my staff ... said that it was perfectly obvious that

<sup>161</sup> Coalition Provisional Authority, Regulation No.2, 10 June 2003, *Development Fund for Iraq*.

<sup>162</sup> Coalition Provisional Authority, Regulation No.3, 18 June 2003, *Program Review Board*.

<sup>163</sup> Letter Owen to Rycroft, 20 June 2003, ‘Iraq: Reconstruction Priorities’ attaching Paper IPU, 20 June 2003, ‘Iraq Reconstruction: 30 Day Priorities, 5 June 2003’.

<sup>164</sup> Paper Cabinet Office, 18 June 2003, ‘Update for Ministers’.

<sup>165</sup> Public hearing, 6 July 2012, page 5.

<sup>166</sup> Public hearing, 6 July 2012, page 71.

I couldn't be put in charge of oil because I really wasn't American ... [and] oil would remain an American interest.

"So it was a very specific instruction from Bremer that I was not in charge of the Oil Ministry."

**312.** In his evidence to the Inquiry, Sir Jeremy Greenstock identified budgeting and oil as the two clearest examples of issues on which the UK was not consulted by the CPA:

"We did not see anything whatsoever in the oil sector; they [the CPA] kept that very closely American, because they wanted to run the oil sector."<sup>167</sup>

**313.** The Inquiry asked Sir Jeremy why the CPA sought to retain control of the oil sector. He responded:

"I think they [the CPA] felt that they understood the oil sector. They brought in American oil executives to advise them on this and to run that part of the CPA. They knew that management of the oil sector was going to be vital for the supply of finance into the Iraqi system and they wanted to be responsible for it themselves.

"There might have been a minor angle of thinking that they wanted access to the contracts that might come out of the oil sector and the Iraqi economy at a subsequent period, but the Americans were doing 95 percent of the work and putting in more than 95 percent of the money. I wouldn't like to say that they were not justified in taking that approach."<sup>168</sup>

**314.** Sir Jeremy continued:

"... the Americans had no intention to take over and own the oil sector. That was always a canard in public criticism terms of what the invasion was about. It was not about oil. I think they just felt it was such an important area that they would run it themselves."

**315.** Section 9.2 describes the Government's broader concerns about the CPA's failure to consult with the UK, as a joint Occupying Power.

**316.** The Annotated Agenda for the 12 June meeting of the AHMGIR stated that the UK Government had put forward two UK candidates to sit on the OAB.<sup>169</sup> It was likely that a UK candidate would be chosen in the next few weeks.

**317.** The Annotated Agenda for the 3 July meeting of the AHMGIR stated that the OAB would not be constituted, having been replaced by a CPA oil sector team.<sup>170</sup> The DTI

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<sup>167</sup> Public hearing, 15 December 2009, page 102.

<sup>168</sup> Public hearing, 15 December 2009, pages 103-4.

<sup>169</sup> Annotated Agenda, 12 June 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>170</sup> Annotated Agenda, 3 July 2003, Ad Hoc Group on Iraq Rehabilitation meeting.



was exploring the possibility of seconding a senior private sector expert to that team, who would be funded by the UK and act as the UK's representative on the team.

**318.** Ms Hewitt's briefing for the meeting stated that the US had decided that the OAB, which was to "advise the Oil Ministry", would not be constituted due to the level of technical skill within the Ministry and Iraqi suspicions over the OAB's role.<sup>171</sup> The CPA oil sector team would be "more operational". It currently consisted of four Americans and one Australian; the US were "sounding out" one UK oil expert.

**319.** The CPA's 'Vision for Iraq', which had been drafted by the CPA's Office of Strategic Planning, was agreed by senior Pentagon officials on 18 July.<sup>172</sup> The underpinning implementation plan, 'Achieving the Vision to Restore Full Sovereignty to the Iraqi People', was circulated to members of Congress on 23 July.<sup>173</sup>

**320.** Neither document considered the development of the oil sector in any detail. 'Achieving the Vision' defined a large number of objectives, including:

- establish and train a Facilities Protection Service;
- remove subsidies, including on oil; and
- design an oil trust fund, to be operational by February 2004.<sup>174</sup> Work by the CPA to develop the Iraq Heritage Trust is described later in this Section.

**321.** There was no objective for increasing oil production.

**322.** On 24 July, representatives from the Iraqi Ministry of Oil, the CPA, and USACE approved the Iraq Oil Infrastructure Restoration Plan, which aimed to restore oil infrastructure to its pre-war production capacity.<sup>175</sup> The authors of the Plan described it as the result of a joint, collective effort by the Ministry of Oil, USACE, KBR staff, the Iraq Reconstruction and Development Council, and the CPA. The key event within the planning process was a workshop from 6 to 9 July, which was attended by over 100 participants.

**323.** The attendance list for the workshop did not include any UK representatives.

**324.** The Inquiry has seen no indications that the UK Government was aware of that planning process.

**325.** USACE issued the Plan to contractors on 1 August.

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<sup>171</sup> Minute DTI [junior official] to PS/Mrs Hewitt, 2 July 2003, 'Next Meeting of the Ad Hoc Ministerial Group on Iraq Rehabilitation: Thursday 3 July 2003'.

<sup>172</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>173</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

<sup>174</sup> Paper Coalition Provisional Authority, 21 July 2003, 'Achieving the Vision to Restore Full Sovereignty to the Iraqi People'.

<sup>175</sup> Tappan SE. *Shock and Awe in Fort Worth*. Pourquoi Press, 2004.

**326.** Ambassador Bremer signed CPA Order No.39 on 19 September.<sup>176</sup> The Order allowed for 100 percent foreign participation in business entities in Iraq:

“... except that foreign direct and indirect ownership of the natural resources sector involving primary extraction and initial processing remains prohibited.”

### Study on the Political Economy of Oil

In late July 2003, the London Middle East Institute produced a study on the political economy of oil and democracy-building in Iraq, which had been commissioned by the Department for International Development (DFID).<sup>177</sup>

A junior DFID official circulated the study to DFID and Treasury officials only on 31 July. He advised that the study evaluated a range of options for the allocation of oil revenues and the ownership of the oil industry. A central message from the study was that any arrangement would have long-term political, economic and social implications. There were no “risk-free” options.

The official highlighted a number of the study’s conclusions, including:

- a “cautious, incremental” approach to unbundling upstream production and downstream distribution systems to create a deconcentrated ownership structure, which could eventually be incorporated into a graduated privatisation process, was preferable to “rapid privatisation”; and
- while production-sharing agreements (PSAs) might be economically attractive in terms of mobilising capital and technology, they were unlikely to have “positive distributional benefits” and might constrain future political development.

**327.** By August, the US was focusing its efforts on increasing oil production. The UK believed there was also a need to develop sector policy and strategy. The US rebuffed UK attempts to provide an oil policy expert.

**328.** The DTI provided an update on the oil sector to the 7 August meeting of the AHMGIR.<sup>178</sup>

**329.** The DTI reported that oil production, hampered mainly by sabotage and power shortages, was between 1m and 1.2m bpd – still less than half pre-conflict levels. Despite significant imports, refined petroleum products, gasoline, petrol and gas for cooking and heating remained in short supply.

**330.** The CPA Oil Team was focused on restoring oil production to pre-conflict levels, leaving all other issues to the Iraqi authorities. The UK believed that there was a need

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<sup>176</sup> Coalition Provisional Authority, Order No.39, 19 September 2003, *Foreign Investment*.

<sup>177</sup> Minute DFID [junior official] to DFID [junior official], 31 July 2003, ‘Study on the Political Economy of Oil and Democracy Building in Iraq’ attaching Report, 24 July 2003, ‘The Political Economy of Oil and Democracy Building in Iraq’.

<sup>178</sup> Annotated Agenda, 7 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper DTI, 6 August 2003, ‘Iraqi Oil Sector Update 07 August 03’.

to develop “longer-term strategies and options”; a well-run oil industry was essential to Iraq’s recovery and thus to the Coalition’s overall strategy.

**331.** The UK had selected Mr Terry Adams to join the CPA Oil Team as a technical expert and Mr Ian Fletcher, Sir Andrew Turnbull’s Principal Private Secretary,<sup>179</sup> to join the CPA Oil Team as an oil policy expert. One of Mr Fletcher’s main tasks would be to help develop those longer-term strategies. The DTI reported that the CPA had welcomed Mr Adams’ appointment, but had been “less than enthusiastic” about Mr Fletcher’s, possibly because of its view that longer-term issues should be left to the Iraqi authorities.

**332.** The Annotated Agenda for the AHMGIR reported that the current Iraqi Ministry of Oil target was to increase oil production to pre-conflict levels by April 2004; that appeared optimistic.<sup>180</sup> Uncertainties over oil production levels and the oil price meant that oil revenues for 2004 remained unpredictable.

**333.** The Annotated Agenda stated that:

“Our major concerns are that the CPA and Iraqi experts are focused on revising production in the short-term and giving insufficient consideration to long-term strategy ...

“We are therefore seeking to engage the US Administration and CPA leadership over oil sector issues in order to gain influence over decisions and policy. We are inserting two senior people into the CPA Oil Team ...”

**334.** The UK and the US had agreed to establish a “senior bilateral official-level working group” on “long-term oil sector issues”.

**335.** The UK was also beginning a debate with the Iraqi Ministry of Oil on ways to address its skills gap.

**336.** Mr Bearpark commented in a meeting with DFID officials on 11 August that the UK did not have much hope of getting senior people into the oil sector, which was “sewn up by the US”.<sup>181</sup> The record of that meeting was copied only within DFID.

**337.** On 10 and 11 August, Basra experienced severe rioting.

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<sup>179</sup> Minute DTI [junior official] to PS/Mrs Hewitt, 23 July 2003, ‘Next Meeting of the Ad Hoc Ministerial Group on Iraq’.

<sup>180</sup> Annotated Agenda, 7 August 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>181</sup> Minute DFID [junior official] to PPS/Baroness Amos, 12 August 2003, ‘Iraq: Meeting with CPA Director of Operations’.

**338.** Mr David Richmond, the Prime Minister's Acting Special Representative on Iraq,<sup>182</sup> reported to the FCO:

“The immediate cause of the disturbances is clear. Supplies of petrol and diesel in Basra's service stations ran out on 9 August ... This was combined with a major blackout in Basra ... There is no doubt that political elements ... exploited the situation. There is also evidence of pre-planning ... but without the fuel and electricity crisis, agitators would not have found much purchase.”<sup>183</sup>

**339.** Section 10.1 describes the UK's response, including the development of the US\$127m Essential Services Plan, which aimed to improve fuel, power and water infrastructure in Basra, and the redeployment of UK troops to secure fuel facilities.

**340.** Mr Adams deployed to Iraq in mid-September.<sup>184</sup>

### The Iraq Heritage Trust

In early September, the Coalition Provisional Authority (CPA) prepared a draft Order expressing the intent to establish an “Iraq Heritage Trust” (IHT), to hold Iraq's oil and gas export revenues.<sup>185</sup> The UK Government assessed that the draft Order clearly provided for the IHT to continue to operate after the CPA had transferred power to a sovereign Iraqi Government.

The UK Government argued that the decision on whether to operate an oil trust fund should be left to a future Iraqi Government. The priority was to rebuild capacity and embed best practice in the Iraqi Ministries of Finance and Oil; the CPA was working to establish transparency and good governance in the oil sector, with “strong UK input”.

The proposal was “put on hold” after opposition from Washington and London and within the CPA.

**341.** From October, the DTI adopted a new approach to pursuing UK objectives in the oil sector, focused on engaging directly with Iraqi interlocutors rather than with the CPA.

**342.** Ms Joan MacNaughton, DTI Director General, Energy, wrote to Mr Bowen on 3 October, seeking a discussion on a new framework to guide the DTI's engagement on Iraqi oil issues.<sup>186</sup>

**343.** Ms MacNaughton advised that communication with the US and CPA on oil issues remained difficult. Meanwhile, the DTI was receiving increasing numbers of requests for

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<sup>182</sup> Mr Richmond was the Acting Special Representative from July to September 2003, when Sir Jeremy Greenstock arrived in Iraq to take up that post. Mr Richmond became the Deputy Special Representative.

<sup>183</sup> Telegram 114 IraqRep to FCO London, 12 August 2003, ‘Situation in Basra’.

<sup>184</sup> Minute Adams to Briggs, 15 September 2003, [untitled].

<sup>185</sup> Email Treasury [junior official] to Lindsey, 23 January 2004, ‘Iraq: John Snow and Oil Trust Funds’ attaching Paper Treasury, [undated], ‘Iraq Oil Trust Fund’.

<sup>186</sup> Letter MacNaughton to Bowen, 3 October 2003, ‘UK Engagement on Iraqi Oil Issues’.

information and advice from UK businesses and there was an opportunity to develop the DTI's contacts with the Iraqi oil industry.

**344.** There were a number of issues to which the DTI needed to respond, including a “worrying” proposal for eight Iraqi citizens and eight “foreigners” to sit on the Iraq National Oil Company (INOC) Executive Board.

**345.** Ms MacNaughton proposed five “guiding principles” for the DTI's engagement in the oil sector. It should:

- provide objective information and “informed opinion” in response to Iraqi requests, but not recommend policies;
- where necessary, work directly and build relationships with the Iraqi management of INOC and the Ministry of Oil;
- continue to seek to increase its sight of US policy and process, including by continuing to try to deploy an oil policy expert to the CPA; although Mr Fletcher's deployment had been “rebuffed repeatedly”, it should remain a priority for the UK;
- ask the British Embassy Washington to redouble its efforts to engage with the US; and
- “in extremis”, instruct Sir Jeremy Greenstock (the Prime Minister's Special Representative in Iraq) to intervene with the US if CPA policy developments “contravene our overarching aim of an Iraqi oil industry which is accountable, transparent, effective and profitable and entirely in the hands of the Iraqis as soon as this is legally and operationally viable”.

**346.** In a separate background briefing on oil issues, the DTI characterised this new approach as:

“... dealing directly with the Iraqis ... in our belief that the CPA is a transient body and it is the Iraqis who will be running the business in the long run”.<sup>187</sup>

**347.** During a video conference with President Bush, Vice President Cheney and Dr Rice on 7 October, Mr Blair said that the UK would like to work more closely with the US in the oil sector.<sup>188</sup>

**348.** Ms MacNaughton's framework was discussed by the Iraq Senior Officials Group (ISOG) later that day.<sup>189</sup> A DTI official said that the key issues to resolve were the composition of INOC's Executive Board and the distribution of oil revenues. The lack of a long-term strategy for the oil sector remained a concern. To influence the US, the

<sup>187</sup> Paper DTI, 30 October 2003, ‘Background Brief on Iraqi Oil Issues’.

<sup>188</sup> Letter Cannon to Adams, 7 October 2003, ‘Iraq: Prime Minister's Video-Conference with President Bush: 7 October 2003’.

<sup>189</sup> Minutes, 7 October 2003, Iraq Senior Officials Group meeting.

UK needed better access to policy in the CPA (US officials in Washington were “equally blind”). Mr Blair’s exchange with President Bush might help.

**349.** ISOG agreed that the DTI should proceed on the basis of principles proposed by Ms MacNaughton. It also agreed that the UK should lobby again for Mr Fletcher’s secondment to the CPA Oil Team (which the CPA had blocked so far).

**350.** The Cabinet Office issued the final version of the UK Iraq Strategy (the UK’s first cross-Whitehall strategy for Iraq) to members of the AHMGIR on 8 October.<sup>190</sup>

**351.** The Strategy was set at a high level, was only broadly consistent with the CPA’s strategy, and was extremely ambitious. Section 9.2 describes the development of the Strategy, and Section 10.1 the elements relating to reconstruction.

**352.** The Strategy stated that the US had far greater resources than the UK, that UK influence over US policy was limited and the UK’s approach would be “vulnerable to shifts in US thinking”.

**353.** The Strategy stated that “to help planning”, Iraq’s recovery should be considered in three phases: stabilisation, to December 2003; recovery, to December 2004; and normalisation, from January 2005. The Strategy defined “UK objectives” for each phase in relation to security, the political process, and reconstruction.

**354.** The Strategy included UK objectives for oil production:

- In the stabilisation phase (to December 2003), Iraq would reach pre-conflict levels of “development and order”. Oil production would reach 80 percent of pre-conflict levels (2m bpd against 2.5m bpd in the pre-conflict period).
- In the recovery phase, to December 2004, Iraq would exceed pre-conflict levels of development and order. Oil production would reach 3m bpd, and oil and other natural resources would be “managed sustainably for the long-term”.
- In the normalisation phase, from January 2005, Iraq would be largely self-supporting. The Iraqi authorities would be in full control of oil production, and operating in a transparent manner.

**355.** The Strategy did not specify how those oil production targets had been defined, or the UK’s role in achieving them.

**356.** The Strategy stated that the UK would continue to be active in a number of areas but would, as Ministers had directed, focus its engagement on economic management, security sector reform and oil.

**357.** The main source of funding for reconstruction would be the DFI. It had provided US\$1.2bn towards the 2003 Iraqi budget and was forecast to provide US\$13bn in 2004.

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<sup>190</sup> Minute Dodd to Sheinwald, 8 October 2003, ‘UK Iraq Strategy’.

**358.** TPUK provided an update for Mr Blair on commercial issues on 10 October.<sup>191</sup> The update is described in more detail later in this Section.

**359.** TPUK advised that the UK's strategy was:

“... to position UK firms ... through the provision of information about contracts, procurement issues, etc, and to press the US authorities (and the CPA) to ensure a level playing field on which UK companies can compete.”

**360.** TPUK advised that the US had made it clear that while they welcomed the participation of UK companies, there was no “special deal”.

**361.** The TPUK paper considered oil and gas contracts separately from other reconstruction contracts. TPUK advised that oil and gas contracts were let by the DoD, whose procedures were “opaque” and not as open to non-US companies as other US-funded contracts.

**362.** TPUK reported that the DTI's efforts to understand and influence the CPA's policy on oil and gas had been “consistently unsuccessful” until Mr Adams' arrival in the CPA Oil Team. That had improved the DTI's understanding to some extent, although they believed that Mr Adams' access to information and decision-making meetings had been restricted by the CPA.

**363.** The Annotated Agenda for the 16 October meeting of the AHMGIR stated that the CPA Oil Team exercised a high degree of control over the Iraqi Ministry of Oil and INOC, and:

“... behaved with a degree of secrecy towards the US Administration and Coalition partners, including the UK; the senior UK oil expert in Baghdad [Mr Adams] is routinely excluded from some meetings.”<sup>192</sup>

**364.** In contrast, the UK was building good relationships with senior Iraqi managers in the Ministry of Oil and INOC.

**365.** The main issue confronting the Iraqi oil industry was restructuring. The CPA's plan was for the INOC Executive Board to include eight Iraqi nationals and eight non-Iraqi nationals. The UK believed that non-Iraqi nationals should hold only non-executive or consultancy roles.

**366.** The AHMGIR agreed that the UK should press for greater access in Washington and Baghdad, and for INOC to be controlled by Iraqis and funded in a transparent manner.<sup>193</sup>

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<sup>191</sup> Letter Zimmer to Rycroft, 10 October 2003, 'Iraq: Update on Commercial Issues' attaching Paper TPUK, 10 October 2003, 'Iraq: Update on Commercial Issues'.

<sup>192</sup> Annotated Agenda, 14 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>193</sup> Minutes, 16 October 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

**367.** At the 17 October meeting of ISOG, Sir Jeremy Greenstock commented that the DTI had intervened too early with the US and CPA on oil strategy.<sup>194</sup> The CPA Oil Team's focus was on reviving production.

**368.** The 21 November meeting of ISOG was advised that Mr David Richmond, the Prime Minister's Deputy Special Representative on Iraq, had "again tried to sell a UK oil policy secondee" to the US, to replace Mr Adams on the CPA Oil Team.<sup>195</sup> He had not been successful.

**369.** ISOG agreed that the UK should now "abandon this initiative". ISOG asked the DTI to consider what more it could do to foster long-term relations with the Iraqi oil industry, given the CPA's planned dissolution in summer 2004.

**370.** The IAMB was formally established on 24 October.<sup>196</sup> It would not hold its first meeting until early December.<sup>197</sup>

**371.** On 6 November, the US Congress approved the CPA's request for additional funds, allocating US\$18.4bn to the Iraq Relief and Reconstruction Fund (IRRF2).<sup>198</sup> The funds were available for two years. Of that, US\$1.7bn was allocated for oil infrastructure.<sup>199</sup>

**372.** On 15 November, the Iraqi Governing Council unveiled a timetable for the transfer of sovereignty to a transitional administration ('the transition') by 30 June 2004, at which point the CPA would dissolve.<sup>200</sup>

**373.** The OFF programme closed on 21 November, in line with the terms of resolution 1483. The AHMGIR was advised that responsibility for remaining activity had passed to the CPA and the Iraqi Ministry of Trade.<sup>201</sup> It was not expected that there would be a threat to food supply.

**374.** UK Trade and Investment (UKTI), in association with the Iraqi Ministry of Oil and other partners, hosted a conference in London in December 2003 to examine the skills development needs in the oil and gas sector in Iraq, and to recommend a series of initiatives to address those needs.<sup>202</sup>

**375.** A UK-Iraq Joint Board was established in January 2004 to carry forward the conference's recommendations, and more generally to help support the development of the oil and gas sector in Iraq.

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<sup>194</sup> Minutes, 17 October 2003, Iraq Senior Officials Group meeting.

<sup>195</sup> Minutes, 21 November 2003, Iraq Senior Officials Group meeting.

<sup>196</sup> IAMB, Press Release, 24 October 2003, *Establishment of International Advisory and Monitoring Board*.

<sup>197</sup> Briefing Treasury, [undated], 'Meeting with Gary Edson, NSC – Thursday 5<sup>th</sup> February [2004]'.

<sup>198</sup> Emergency Wartime Supplemental Appropriations Act, 2003.

<sup>199</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>200</sup> Minute Figures to CDS, 16 November 2003, 'SBMR(IRAQ) Report 047 of 16 November 2003'.

<sup>201</sup> Annotated Agenda, 27 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>202</sup> Briefing UKTI, [undated], 'UK-Iraq Joint Board'.



**376.** The 6 January 2004 meeting of ISOG was advised that a forthcoming presentation by the Iraqi Minister for Oil to the Iraqi Governing Council on the future of the oil sector might not give due weight to “good governance issues”.<sup>203</sup> The UK would need to consider whether it needed to intervene; poor governance would delay investment in the oil sector and be a breach of resolution 1483.

**377.** Mr Neil Hirst, Head of the DTI’s Energy Markets Unit, wrote to the Cabinet Office the following day to set out the issue in more detail.<sup>204</sup> He advised that how the oil sector was handled would have major implications for the future prosperity and stability of Iraq. The UK Government had launched a major international initiative – the Extractive Industries Transparency Initiative (EITI), led by DFID – to achieve transparency of natural resource accounting in the developing world. The principle of transparency of accounting was also set down in resolution 1483.

**378.** Mr Hirst identified two key principles that needed to be established:

- a separation of powers between the Iraqi Government as owner and regulator of energy resources, and the operating company (probably, at least initially, nationally owned) which developed those resources; and
- full transparency of oil accounts, payments and budgets.

**379.** It was unclear to what extent the US would be prepared to exert their influence to help achieve good governance in the oil sector, particularly in the light of their lukewarm response to the EITI.

**380.** Section 10.1 describes the development of DFID’s Interim Country Assistance Plan (I-CAP) for Iraq in December 2003 and January 2004. The I-CAP set priorities for DFID’s work in Iraq.

**381.** The I-CAP was agreed at the 22 January 2004 meeting of the AHMGIR.<sup>205</sup>

**382.** Before the meeting, a DFID official advised Mr Hilary Benn, the International Development Secretary, that as a result of consultation within Whitehall, DFID had agreed to engage in oil sector governance to help ensure transparency in the use of oil revenues.<sup>206</sup>

**383.** The I-CAP defined 10 priorities for 2004, including “establishing transparent systems to ensure that oil revenues are spent for the benefit of all Iraqi people”.<sup>207</sup>

**384.** Ms Hewitt wrote to Mr Straw, copied to Mr Blair and members of the AHMGIR, on 16 January seeking agreement that the UK should give a high priority, in the period

<sup>203</sup> Minutes, 6 January 2004, Iraq Senior Officials Group meeting.

<sup>204</sup> Letter Hirst to Fergusson, 7 January 2004, ‘Iraq Oil Industry Governance’.

<sup>205</sup> Minute Dodd to Buck, 21 January 2004, ‘Iraq: Senior Officials Group’.

<sup>206</sup> Minute Drummond to Malik, 21 January 2004, ‘Iraq: Ministerial’.

<sup>207</sup> Department for International Development, *Iraq: Interim Country Assistance Plan*, February 2004.

leading up to the transition, to working with the US to establish principles of good governance in the oil sector.<sup>208</sup>

**385.** Ms Hewitt reiterated that decisions on the development of Iraq's oil resources would be for the Iraqi people. But that was entirely compatible with trying to establish principles of good governance before the transition.

**386.** Mr Adams had played an important role in getting good governance onto the CPA's agenda. A study commissioned by the CPA on the modernisation of the oil industry had identified a number of key governance principles, including:

- properly defined and distinct roles for a national oil company, the Ministry of Oil, and the Iraqi Government;
- the national oil company to be run on commercial lines with transparent accounting and auditing; and
- anti-corruption policies.

**387.** After "considerable effort" by the UK, the US had agreed on the need to establish those key governance principles.

**388.** Ms Hewitt also reported Sir Jeremy Greenstock's advice: that making progress would not be easy "given the lack of a real constituency for good governance amongst senior Iraqi figures".

**389.** Mr Straw replied on 29 January, agreeing that the UK should give a high priority to establishing the principles of good governance in the oil sector before the transition.<sup>209</sup>

**390.** As the end of Occupation approached, the UK considered how to ensure that oil revenues would not be mismanaged under an Iraqi Government. Section 10.1 describes UK planning for the transition.

**391.** The Annotated Agenda for the 1 March meeting of the AHMGIR advised that a modified version of the DFI should be retained after the transition, in order to "ensure accountability and transparency".<sup>210</sup> Otherwise, there was a substantial risk of mismanagement of oil revenues. The arrangement could also ensure that Iraqi assets remained immune from claims.

**392.** The Annotated Agenda reported that the DFI currently held US\$8.8bn, and paid for 95 percent of the Iraqi budget. In addition, "substantial DFI funds had been spent off-budget on the approval of the CPA with intermittent Iraqi representation".

**393.** The Annotated Agenda did not provide any further details of the "off-budget" disbursement of DFI funds.

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<sup>208</sup> Letter Hewitt to Straw, 16 January 2004, 'Governance in the Oil Sector'.

<sup>209</sup> Letter Straw to Hewitt, 29 January 2004, 'Governance in the Oil Sector'.

<sup>210</sup> Annotated Agenda, 1 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

**394.** The Annotated Agenda reported that the Treasury proposed:

- a single external account for Iraqi oil and other revenue, managed by the Iraqi Minister of Finance reporting to a Board of Ministers, operating “within a framework established by a future UNSCR [resolution] which ensures transparency and accountability”;
- disbursements solely for the purpose of financing the Iraqi budget; and
- continuing external audit by the IAMB, reporting to the Board of Ministers.

**395.** Such an arrangement might be seen in Iraq as a constraint on sovereignty, but conversely many Iraqis might welcome arrangements which enhanced transparency and restricted the ability of transitional Ministers to mismanage oil revenues. The US supported the idea of a modified DFI.

**396.** The AHMGIR agreed that the UK should press for the establishment of transparent and accountable arrangements for the management of oil and other Iraqi revenues through the transition period.<sup>211</sup>

**397.** Sir Jon Cunliffe told the Inquiry that while the US and the CPA were “very resistant to external monitoring and external accountability” undertaken by the IAMB:

“When the Iraqi Government itself arrived, I think both Occupying Powers decided there was joint interest in having transparency, accountability and control [over oil revenues] and, indeed, I think that the US were with us in pushing for the interim Iraqi Government to take on the DFI with all of its monitoring machinery.”<sup>212</sup>

**398.** The 12 March meeting of the Iraq Strategy Group was advised that rising oil prices meant that Iraq could fund its “recurrent costs”.<sup>213</sup>

**399.** The British Embassy Baghdad reported on 14 March that CPA proposals to improve governance and accounting standards within the Ministry of Oil “faced resistance”.<sup>214</sup> It might be difficult to overcome “vested interests” inside and beyond the Ministry in the short time left before transition.

**400.** Mr Benn called on Ambassador Bremer in Baghdad on 22 March.<sup>215</sup> Mr Benn reported to Mr Blair that he had encouraged Ambassador Bremer to promote transparency in the use of oil revenues after transition.

**401.** Mr Jim Drummond, DFID Director Iraq, who had accompanied Mr Benn on the visit, reported to DFID colleagues only that Mr Benn and Ambassador Bremer had agreed on the principle of transparency, and that Ambassador Bremer had said that

<sup>211</sup> Minutes, 1 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>212</sup> Public hearing, 9 July 2010, pages 38 and 39.

<sup>213</sup> Minutes, 12 March 2004, Iraq Strategy Group meeting.

<sup>214</sup> Telegram 88 IraqRep to FCO London, 14 March 2004, ‘Iraq Economy: Update’.

<sup>215</sup> Letter Benn to Blair, 24 March 2004, [untitled].

he did not see how, politically, the Coalition could retain control over Iraq's oil revenues after transition.<sup>216</sup>

**402.** Section 9.2 describes the further deterioration in the security situation in Iraq from late March. Attacks on oil infrastructure increased.

**403.** Mr Rycroft sent 19 “unvarnished accounts” of the situation in Iraq, including one from Mr Dominic Asquith, Deputy Chief Commissioner in the CPA, on oil sector development, to Mr Blair on 23 April.<sup>217</sup>

**404.** Mr Asquith reported that oil production was rising ahead of schedule, but future capacity was threatened by an early, mistaken focus on repair rather than modernisation and development.<sup>218</sup> Oil production had reached an average of 2.3m bpd by the end of 2003, against a target of 2.0m bpd.

**405.** Mr Asquith also reported that discussions between the Ministry of Oil and the CPA on raising gasoline prices continued, with the Ministry avoiding any commitment on a politically contentious issue. Discussions on restructuring the oil industry “remained mired in politics”. There were persistent but unconfirmed allegations of corruption in both the State Oil and Marketing Organisation and the Ministry. Ambassador Bremer had recently appointed a new Inspector General to the Ministry, but after transition his capacity to monitor financial flows would be tested. International oil companies were watching carefully, but wanted to see greater security and a stable regulatory and investment environment before investing.

**406.** On 24 May, Mr Bob Morgan, an adviser to the Iraqi Ministry of Oil employed by the FCO, and his bodyguard Mr Mark Carman were killed in Baghdad.<sup>219</sup>

**407.** The Security Council adopted resolution 1546 (2004) on 8 June.<sup>220</sup> Section 9.2 describes the negotiation and content of the resolution. The resolution:

- endorsed the formation of a sovereign Interim Government of Iraq which would assume full responsibility and authority by 30 June 2004 for governing Iraq, “while refraining from taking any actions affecting Iraq’s destiny beyond the limited interim period until an elected Transitional Government of Iraq assumes office ...”
- reaffirmed the right of the Iraqi people freely to determine their own political future and to exercise full authority and control over their financial and natural resources; and

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<sup>216</sup> Minute Drummond to DFID [junior official], 24 March 2004, ‘Iraq Visit’.

<sup>217</sup> Minute Rycroft to Blair, 23 April 2004, ‘15 Reports on Iraq’.

<sup>218</sup> Telegram 183 IraqRep to FCO London, 21 April 2004, ‘Iraq: Oil Sector Development’.

<sup>219</sup> Minutes, 25 May 2004, Iraq Senior Officials Group meeting; *BBC News*, 26 May 2004, *Oil Expert Killed in Iraq ‘felt safe’*.

<sup>220</sup> UN Security Council resolution 1546 (2004).

- provided for the continued operation of the DFI and the IAMB. DFI funds would be disbursed in a transparent and equitable manner and through the Iraqi budget, solely at the discretion of the Iraqi Government. Funds held within the DFI would continue to be immune from attachment.

**408.** A junior Treasury official advised Mr Brown that the explicit reference to transparency and the requirement for DFI funds to be disbursed through the Iraqi budget had been inserted at the UK's request.<sup>221</sup>

**409.** The British Embassy Washington reported to the IPU on 23 June on US plans in the oil sector after 30 June.<sup>222</sup>

**410.** Senior US interlocutors had told the Embassy that all 12 members of the CPA Oil Team were expected to leave Iraq by the end of August. They would be succeeded by a number of oil sector "liaison officers" within the US Iraq Reconstruction Management Office (IRMO). The liaison officers "would obviously have less influence and leverage" than the CPA Oil Team. Mr Thamir Ghadban, Iraqi Minister of Oil, "did not need telling what to do, and would want to distance himself from the US advisers". The US understood that Mr Ghadban intended to set up his own Advisory Group.

**411.** The Embassy assessed that the US remained focused on short-term production issues, rather than "strategic industry restructuring and governance".

**412.** The Embassy also reported that policy responsibility for the oil sector within the US Administration would transfer from the DoD to the State Department on 30 June.

**413.** *Hard Lessons* recorded that, at the end June 2004, Iraq was producing more than 2m bpd of oil, still well below pre-war production of 2.58m bpd.<sup>223</sup>

### **Scrutiny of disbursements from the Development Fund for Iraq (DFI) by the UK**

Resolution 1483, which was adopted on 22 May 2003, provided that disbursements from the Development Fund for Iraq (DFI) would be "at the direction of the Authority [the US and UK as Occupying Powers], in consultation with the interim Iraqi administration".<sup>224</sup> By that time, the US was committed to a protracted Occupation and it was not clear when an interim Iraqi administration would be established.

<sup>221</sup> Minute Treasury [junior official] to Chancellor, 10 June 2004, 'Iraq – UNSCR 1546 and Financial Management Law'.

<sup>222</sup> Letter FCO [junior official] to IPU [junior official], 23 June 2004, 'Iraq Oil: US Plans post 30 June'.

<sup>223</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>224</sup> UNSCR 1483 (2003).

The US General Accountability Office (GAO) estimated that almost US\$21bn was deposited into the DFI during the Coalition Provisional Authority (CPA) period, of which US\$14bn was spent.<sup>225</sup>

On 10 June 2003, the CPA issued a regulation that gave Ambassador Paul Bremer, as “Administrator of the CPA”, authority to oversee and control the establishment, administration and use of the DFI and to direct disbursements from the DFI “for those purposes he determines to be for the benefit of the Iraqi people”.<sup>226</sup>

The regulation also established a Program Review Board (PRB) to develop funding plans and make recommendations to Ambassador Bremer on expenditures from the DFI, “in consultation with the Iraqi interim administration, when established”.

The CPA issued a further regulation on 18 June, detailing the operation of the PRB.<sup>227</sup> Voting members of the PRB included representatives of the Iraqi Ministry of Finance and the UK.

The Inquiry has seen the records of 60 meetings of the PRB (held between 7 June 2003 and 2 June 2004).<sup>228</sup> Of those records, 55 list the meeting’s attendees. A UK representative attended 41 of the 55 meetings. The UK was represented by a junior official on 36 occasions and by a senior official on five.

In March 2004, after an international competitive bidding process, the International Advisory and Monitoring Board (IAMB) approved the appointment of KPMG to audit DFI activities.<sup>229</sup> A Treasury briefing stated that the CPA had used that process to re-open debate on the scope of the IAMB’s mandate under resolution 1483.<sup>230</sup>

The CPA signed the contract with KPMG to audit the DFI on 5 April 2004 – almost one year after resolution 1483 and less than three months before the CPA would be dissolved.<sup>231</sup>

KPMG delivered its first audit reports, covering oil export sales and DFI operations from May to December 2003, to the IAMB at the end of June 2004.<sup>232</sup>

The IAMB’s response to the KPMG reports stated:

“KPMG has concluded that all known oil proceeds, reported frozen assets, and transfers from the Oil for Food Program had been properly and transparently accounted for in the DFI. At the same time, based on a review of KPMG reports, the IAMB believes that CPA controls were insufficient to provide reasonable assurance (i) for the completeness of export sales of petroleum and petroleum products for

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<sup>225</sup> US General Accountability Office, Report to Congressional Committees, July 2005, *Status of funding and reconstruction efforts*.

<sup>226</sup> Coalition Provisional Authority, Regulation No.2, 10 June 2003, *Development Fund for Iraq*.

<sup>227</sup> Coalition Provisional Authority, Regulation No.3, 18 June 2003, *Program Review Board*.

<sup>228</sup> Coalition Provisional Authority website, [undated], *Program Review Board Minute Archive*.

<sup>229</sup> International Advisory and Monitoring Board on Iraq website, 24 March 2004, *Statement by the International Advisory and Monitoring Board on Iraq*.

<sup>230</sup> Briefing Treasury, [undated], ‘Meeting with Gary Edson, NSC – Thursday 5<sup>th</sup> February [2004]’.

<sup>231</sup> International Advisory and Monitoring Board on Iraq website, 5 April 2004, *Statement by the International Advisory and Monitoring Board on Iraq*.

<sup>232</sup> Report KPMG, 29 June 2004, ‘Development Fund for Iraq: Statement of Cash Receipts and Payments For the Period from 22 May 2003 to 31 December 2003 (with Independent Auditors’ Report)’.

the period from May 22, 2003 to December 31, 2003, and (ii) whether all DFI disbursements were made for the purposes intended.”<sup>233</sup>

US Special Inspector General for Iraq Reconstruction (SIGIR) audits published in 2004 and 2005, and summarised in *Hard Lessons*, found that:

“... the CPA failed to exert adequate control of the DFI used to support the Iraqi national ministries or reconstruction projects. An audit of DFI disbursements to Iraqi ministries made through the national budget process concluded that the CPA failed to enforce adequate management, financial, and contractual controls over approximately US\$8.8bn of DFI money. SIGIR found that there was ‘no assurance that the funds were used for the purposes mandated by [UN] resolution 1483.’”<sup>234</sup>

Ambassador Bremer disagreed with SIGIR, arguing that they had failed to account for the very difficult security environment and the steps taken to improve recognised management weaknesses. SIGIR acknowledged the danger confronting the CPA, but found that the CPA’s oversight of Iraqi funds was burdened by severe inefficiencies and poor management. SIGIR concluded that the chaotic circumstances in Iraq required more stringent oversight, not less, as the CPA suggested.

*Hard Lessons* concluded that the CPA appeared to be averse to oversight of the DFI.

Sir Jeremy Greenstock, the Prime Minister’s Special Representative on Iraq from September 2003 to March 2004, told the Inquiry:

“The UK was not allowed sight of any of the figures on the use of money by the CPA ... A lot of cash was going round in suitcases to be dispensed to Iraqis, not all of which was accounted for, and I was uncomfortable that I had no sight of this, might be felt by London to be in some respects responsible for this, and had to explain clearly that I was not responsible for this, and London made it quite clear that they didn’t expect me to be responsible for this.”<sup>235</sup>

“But as you have seen from books on this, from the report of the Special Inspectorate for Iraq in the US [SIGIR], corruption crept into the system and I felt that I couldn’t do anything about it.”

The Inquiry asked Sir Jeremy whether he was able to discuss his concerns with Ambassador Bremer. He replied:

“We discussed corruption in the Iraqi administration, but when I asked for details of economic spending, it was made clear that non-Americans would not be given the details.”

<sup>233</sup> International Advisory and Monitoring Board on Iraq website, 15 July 2004, *Statement by the International Advisory and Monitoring Board on Iraq – Release of the KPMG Audit Reports on the Development Fund for Iraq, 15 July 2004*.

<sup>234</sup> H Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>235</sup> Private hearing, 26 May 2010, pages 50-51.

Ms Lindy Cameron, Deputy Head of DFID's Baghdad Office in 2004, told the Inquiry that, during the last six months of the CPA, UK officials "helped to do a level of supervision of how some of the funding was spent that had come from the Iraqi oil revenues", but any influence was "more at the tactical level than at the strategic level".<sup>236</sup>

Sir Jon Cunliffe told the Inquiry that the CPA had been "very resistant to external monitoring and external accountability".<sup>237</sup>

## UK policy under Iraqi Governments

**414.** The Occupation of Iraq formally came to an end on 28 June 2004, two days earlier than had been originally planned.

**415.** Power was transferred from the CPA and the Governing Council to the Iraqi Interim Government (IIG) headed by Prime Minister Ayad Allawi.<sup>238</sup>

**416.** As set out in resolution 1546 (2004), the IIG took on responsibility for the disbursement of oil revenues from the US and UK (as Occupying Powers).

**417.** Although oil production remained below pre-war levels, the UK Government expected that the high oil price (over US\$35 per barrel against the budgeted level of US\$22 per barrel) would result in a significant surplus for the Iraqi budget in 2004.<sup>239</sup>

**418.** On 1 July, the AHMGIR commissioned the FCO to co-ordinate an integrated UK strategy covering the period up to Iraqi elections (in early 2005).<sup>240</sup>

**419.** Mr Edward Chaplin arrived in Baghdad on 5 July to take up post as the first UK Ambassador to Iraq since 1990.<sup>241</sup>

**420.** The strategy paper commissioned by the AHMGIR was circulated on 13 July to members of the Defence and Overseas Policy Committee (DOP), a Sub-Committee of the Cabinet, on 13 July.<sup>242</sup> The paper defined seven objectives, including:

- reduction of subsidies and an agreed IMF programme leading to a debt settlement by the end of the year."

**421.** The 15 July meeting of DOP agreed those objectives.<sup>243</sup> Ministers stated that the UK needed to continue to work closely with the Iraqi Oil Minister, with a focus on reducing government subsidies in the oil sector and on technical training.

<sup>236</sup> Public hearing, 22 June 2010, page 28.

<sup>237</sup> Public hearing, 9 July 2010, pages 38-39.

<sup>238</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

<sup>239</sup> Paper, [undated], 'Iraq – Summer 2004 Economic Overview'.

<sup>240</sup> Minutes, 1 July 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>241</sup> Public hearing, 7 December 2009, pages 1-2.

<sup>242</sup> Paper FCO, 13 July 2004, 'Iraq: the Next Six Months'.

<sup>243</sup> Minutes, 15 July 2004, DOP meeting.



**422.** Mr Chaplin made an introductory call on Mr Ghadban on 30 August.<sup>244</sup> He reported that Mr Ghadban's main priority was maintaining and repairing Iraq's oil infrastructure. Attacks were taking place almost daily. Production was around 2.5m bpd; the IIG aimed to produce 3.25m bpd by the end of 2005.

**423.** Mr Chaplin reported that Mr Ghadban advocated a gradual and careful reduction in fuel subsidies (although the IIG as a whole remained reluctant), and the privatisation of the distribution system. Mr Chaplin had "encouraged" those views.

**424.** Mr Ghadban stated that encouraging investment was key, for example through internationally accepted models for production-sharing agreements (PSAs) or joint ventures. He did not favour privatising upstream<sup>245</sup> activities.

**425.** The IPU circulated a first draft of a UK Energy Strategy for Iraq on 18 August.<sup>246</sup>

**426.** A junior official at the British Embassy Baghdad commented on the draft on 25 August, highlighting the need to be realistic about what the IIG could deliver in the period before the January 2005 elections:

"While Ghadban and others may have every intention of looking longer term and plotting a strategy for the industry, the day-to-day running of the network/fire-fighting is taking up the bulk of everyone's energies just now – and is likely to continue doing so. The IIG is desperate to show improvements in the supply of electricity and fuel as soon as possible. That means focusing efforts on ensuring that oil continues to flow to the power stations and refineries, and stocks are built up."<sup>247</sup>

**427.** The IPU circulated a final version of the UK Energy Strategy for Iraq on 6 September.<sup>248</sup> The Strategy identified two UK objectives:

- the development of an efficient, outward looking and transparent oil and energy industry, capable of delivering both sustainable export revenues to meet Iraq's development needs and meeting domestic needs for energy in an efficient, equitable and secure manner; and
- Iraq's energy sector development to be complemented by the increasing involvement of UK firms, leading to sustained investment over the next five to 10 years and substantial business for the UK."

**428.** The Strategy stated that the IIG had established a Supreme Council for Oil and Gas, which the UK believed would approve strategy and major investments. The IIG was

<sup>244</sup> Telegram 167 Baghdad to FCO London, 31 August 2004, 'Iraq: Introductory Call on Thamir Ghadban, Minister of Oil'.

<sup>245</sup> Upstream activities are generally understood to be exploration and extraction.

<sup>246</sup> Email IPU [junior official] to FCO [junior official], 18 August 2004, 'UK Energy Strategy for Iraq' attaching Paper IPU, [undated], 'Iraq-UK Energy Strategy for Iraq'.

<sup>247</sup> Email FCO [junior official] to IPU [junior official], 25 August 2004, 'UK Energy Strategy for Iraq – Comment'.

<sup>248</sup> Email IPU [junior official] to FCO [junior official], 6 September 2004, 'Energy Strategy for Iraq'.

constrained by the Transitional Administrative Law (TAL) in its ability to make decisions affecting Iraq's "long-term destiny". Key strategic decisions were therefore unlikely to be taken until after January 2005.

**429.** The Strategy stated that to meet the UK's objectives, the main challenge for Iraq's oil industry would be to institute the structural, fiscal and regulatory reform needed to attract foreign direct investment (FDI). In the absence of a "very high" oil price, Iraq would only be able to finance the investment necessary to raise production if it achieved a very generous debt relief deal and was prepared to cut government spending in other areas. As the latter was "not realistic", Iraq would need FDI.

**430.** Improved governance in the energy sector also remained key to achieving the UK's objectives.

**431.** The Strategy stated that the argument that Iraq's energy development needs were best served by FDI would be politically sensitive, both in Iraq (where it would touch on issues of sovereignty) and internationally. The Iraqi Government was aware of the scale of funding needed, but "less convinced" of the need for this to come through FDI. The Strategy concluded:

"We will wish to push the message on FDI to the Iraqis in private, but it will require careful handling to avoid the impression that we are trying to push the Iraqis down one particular path."

**432.** The Strategy also set out the "key considerations" that shaped it:

- the UK's objectives on energy security: Iraq had the second or third largest proven oil reserves in the world, and significant reserves of natural gas; sustainable increases in Iraqi oil and gas production would contribute to global energy security;
- the UK's commercial objectives; and
- Iraq's need for fiscal stability, in particular given its high level of debt and the continuing need to finance reconstruction.

**433.** The Inquiry has seen no indications that the Strategy was seen by Ministers or senior officials.

**434.** A junior official at the British Embassy Baghdad reported on 8 September that Prime Minister Allawi had recently issued 'Guidelines on Petroleum Policy'

to the Supreme Oil and Gas Council, to direct their work to develop detailed policy recommendations.<sup>249</sup> The official summarised those guidelines as:

*“Upstream Policy*

- An independent, public, Iraqi National Oil Company (INOC) should be re-established ... to manage current fields and refineries.
- Foreign investment (combined where possible with domestic private capital) should finance the development of new fields and refineries. Joint public/private operations should be avoided except where necessary as an interim measure before full privatisation.

*Downstream policy*

- INOC to rehabilitate existing refineries.
- Foreign and domestic private investment to finance major refinery expansions and new refineries.

*Marketing*

- Gradual and methodical privatisation of domestic wholesale and retail marketing.”

**435.** Prime Minister Allawi met Mr Blair in London on 19 September.<sup>250</sup> Prime Minister Allawi said that he was pursuing a four-part strategy which addressed:

- the political process;
- the economy, including meeting investment needs in the oil sector;
- security (his personal focus); and
- building up the institutions of government.

**436.** Mr Blair, Prime Minister Allawi and several Iraqi Ministers discussed reconstruction, the economy and other issues over lunch.<sup>251</sup> Prime Minister Allawi stressed the need for a generous debt reduction package that would encourage foreign investment.

**437.** In late 2004, the FCO agreed to fund a small consultancy team to assist the Ministry of Oil to “create a stable petroleum contracts regime and a modern, transparent and efficiently run Iraqi National Oil Company (INOC)”.<sup>252</sup> The project built on the

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<sup>249</sup> Email FCO [junior official] to FCO [junior official], 8 September 2004, ‘PM’s Guidelines on Petroleum Policy – Summary’.

<sup>250</sup> Letter Sheinwald to Adams, 19 September 2004, ‘Iraq: Prime Minister’s Meeting with Prime Minister Allawi, Sunday 19 September’.

<sup>251</sup> Letter Quarrey to Owen, 19 September 2004, ‘Iraq: Prime Minister’s Lunch with Allawi, 19 September’.

<sup>252</sup> Paper FCO, [undated], ‘Terms of Reference: Assistance in creating a stable petroleum contracts regime and a modern, transparent and efficiently run Iraqi National Oil Company (INOC)’.

analysis presented in a December 2003 USAID-funded report, *Options for Developing a Long Term Sustainable Iraqi Oil Industry*.<sup>253</sup>

**438.** The Terms of Reference for the consultancy stated:

“The Iraqi Government has given broad endorsement (for example through Prime Minister Allawi’s Guidelines on Petroleum Policy) to PSAs as the best means of facilitating foreign investment in the petroleum sector. It is important the MoO [Ministry of Oil] develop a good understanding of how PSAs work if Iraq is to create a stable contracts regime that effectively serves Iraq’s longer-term developmental needs and the imperative of FDI.”<sup>254</sup>

**439.** The planned outputs of the project included model contracts, including for PSAs.

**440.** Mr Chaplin called on Prime Minister Allawi on 13 December.<sup>255</sup> Mr Chaplin reported that he had taken the opportunity to raise “BP and Shell’s interests”. He had also informed Prime Minister Allawi that the UK Government had agreed to fund Mr Terry Adams (formerly of the CPA Oil Team) to assist the Ministry of Oil to draft “model production sharing agreements”.

**441.** Mr Chaplin reported that Prime Minister Allawi had said that he had made clear to the Supreme Oil and Gas Council that priority should be given to US and UK companies. Mr Chaplin commented:

“His [Prime Minister Allawi’s] wish to favour UK companies is sincere. But others in the system are not so well-disposed, so patience is required.”

**442.** A briefing prepared for Sir Nigel Sheinwald, Mr Blair’s Foreign Policy Adviser, on 17 January 2005 stated that:

“Ministry of Oil preoccupied with Baghdad fuel crisis and the protection of the oil infrastructure – meaningful engagement with the Ministry will have to wait until after the elections.”<sup>256</sup>

**443.** The briefing also stated that a plan to establish an INOC as an independent, state-run corporation “appears to have been approved”, although it was unlikely to be implemented before the elections. The briefing described the creation of an independent, state-run INOC as one of the UK’s main priorities.

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<sup>253</sup> Report, 19 December 2003, *Options for Developing a Long Term Sustainable Iraqi Oil Industry*.

<sup>254</sup> Paper FCO, [undated], ‘Terms of Reference: Assistance in creating a stable petroleum contracts regime and a modern, transparent and efficiently run Iraqi National Oil Company (INOC)’.

<sup>255</sup> Telegram 472 Baghdad to FCO London, 13 December 2004, ‘Iraq: Call on Allawi’.

<sup>256</sup> Briefing, [undated], ‘Briefing for Nigel Sheinwald’s Meeting with Malcolm Brinded (Shell): 17 January’.

**444.** Elections for the Transitional National Assembly (TNA) and Provincial Assemblies took place across Iraq on 30 January 2005.<sup>257</sup> The election results were announced in mid-February; the Iraqi Transitional Government would not convene until April.

**445.** Officials from the British Embassy Baghdad made their first post-election visit to the Ministry of Oil on 2 February.<sup>258</sup> They reported that a senior Iraqi official had been “scathing” about Prime Minister Allawi’s Guidelines, which he said had “died with the IIG”.

**446.** The Cabinet Office co-ordinated the production of a strategy paper, focused on how to achieve coalition objectives in post-election Iraq, for the 9 February meeting of the Ad Hoc Ministerial Group on Iraq.<sup>259</sup>

**447.** The strategy identified five key “governance and reconstruction” challenges in 2005, including making sustained improvements in the availability of fuel and electricity, which would require difficult reforms and cracking down on corruption and sabotage.

**448.** The strategy defined five economic priorities for the UK for 2005, including:

“Promoting an efficient, outward looking and transparent oil and energy industry and promoting the continuation of a structure for the transparent management of oil reserves.”

**449.** The Ad Hoc Ministerial Group on Iraq approved the paper on 9 February.<sup>260</sup>

**450.** A senior Iraqi official in the Ministry of Oil told Ms Ann Eggington, DTI Director, on 22 March that the Ministry was in a “caretaker” role, waiting for the formation of the new Government.<sup>261</sup> The silence from the Ministry on the UK’s offer to help develop model PSAs was due to its inability to take forward any significant project work and long-term planning until a new Government was confirmed.

**451.** The Iraqi official commented that the chief task of the new Iraqi Government would be to agree a Constitution; the Ministry would, in parallel, develop a Petroleum Law. Model contracts developed by the FCO project would need to be consistent with the Petroleum Law; there would be differing views on how FDI should be brought in.

**452.** On 28 April, following lengthy negotiations, Prime Minister Designate Ibrahim Ja’afari presented the majority of the Cabinet for the new Iraqi Transitional Government (ITG) to the TNA for ratification. The ITG was established to run Iraq until a government could be elected according to the new Constitution in December 2005.

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<sup>257</sup> Public hearing Chaplin, 7 December 2009, page 12.

<sup>258</sup> Email FCO [junior official] to IPU [junior official], 2 February 2005, ‘Iraq/Oil: Miscellaneous’.

<sup>259</sup> Paper Cabinet Office, 7 February 2005, ‘Iraq Strategy for 2005’.

<sup>260</sup> Minutes, 9 February 2005, Ad Hoc Ministerial Group on Iraq meeting.

<sup>261</sup> Letter DTI [junior official] to FCO [junior official], 23 March 2005, ‘Meeting with Rhadwan Al-Saadi: 22 March 2005’.

**453.** The British Embassy Baghdad reported on 16 May that the new Minister of Oil, Mr Ibrahim Bahr Al-Ulum, had now taken up his post.<sup>262</sup> Mr Al-Ulum had stated that his priorities were to increase production and tackle corruption. Production averaged 2.1m bpd, consistently below the Ministry's 2.5m bpd target. Fuel stocks were healthy.

**454.** The Embassy also reported that insurgent attacks on oil infrastructure had "tailed off" since the elections, although the effect of attacks could still be dramatic.

**455.** The IPU provided an update on oil and commercial issues for Mr John Sawers, FCO Political Director, on 25 May, at his request.<sup>263</sup> The IPU advised that:

- The Petroleum Law would be a key piece of legislation, establishing the regulatory framework for Iraq's energy sector, including the approach to foreign investment. Major international oil companies would want to see transparent rules established.
- The Ministry of Oil would start drafting the Petroleum Law alongside the drafting of the Constitution. The UK had not been asked for help in drafting the Law, although the UK did plan to take forward the FCO project to help the Ministry develop transparent petroleum contracts.
- The UK Government's view was that a high level of oil company involvement in drafting the Petroleum Law could be counter productive: "This should be an Iraqi-drafted law and it will be for them to decide their approach to foreign investment." The UK would, however, want to encourage the Iraqi Government to consult widely in the process, including with oil companies. The UK could facilitate that exchange.
- There had been no discussions with the Iraqi Government on a UK/Iraq commercial agreement (which could provide a framework for trade and investment), but such an agreement might be beneficial.

**456.** Representatives from Shell advised officials from the British Embassy Washington on 31 May that Shell wanted to see "a Constitution in place" before making a "serious investment" in Iraq.<sup>264</sup> Most major oil companies were similarly "keeping a low profile".

**457.** In June 2005, FCO, DTI and DFID officials developed an Iraq Oil and Gas Strategy.<sup>265</sup>

**458.** The Iraq Oil and Gas Strategy, the UK's second post-Occupation oil strategy, shared much of the analysis presented in the September 2004 UK Energy Strategy for Iraq. It added a third UK objective – promoting Iraq's role within the international oil market and the Organization of the Petroleum Exporting Countries (OPEC).

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<sup>262</sup> Telegram 4635/05 Baghdad to FCO London, 16 May 2005, 'Iraq: Oil and Electricity: New Government, Old Problems'.

<sup>263</sup> Minute IPU [junior official] to Sawers, 25 May 2005, 'BP: Iraq'.

<sup>264</sup> Minute FCO [junior official] to Braithwaite, 3 June 2005, 'Note of a Meeting with Shell, 31<sup>st</sup> May 2005'.

<sup>265</sup> Paper, [undated], 'Iraq: Oil and Gas Strategy'.

**459.** The Strategy defined three UK objectives:

- “• The development of an efficient, outward-looking and transparent oil and gas industry, capable of delivering sustainable export revenues to meet the development needs of the people of Iraq and meeting domestic needs for energy in an efficient, equitable and secure manner.
- Increasing involvement of the private sector, leading to sustained investment over the next five to 10 years and substantial business for UK companies ...
- To promote Iraq’s role in international oil and gas markets and as a constructive influence within OPEC.”

**460.** The Strategy stated that, in the absence of an “extremely high” oil price, only the international oil companies could provide the funding necessary to achieve rapid rehabilitation or significant new development.

**461.** The Strategy set out four considerations that shaped it:

- Energy security. The UK was expected to be a net importer of oil by 2010. Against a backdrop of volatile prices and limited spare global production capacity, sustainable increases in Iraqi production would make a large contribution to global energy security.
- The UK’s commercial and international development goals, including Iraq’s fiscal stability given the need to finance reconstruction. The idea that Iraq’s energy development needs were best served through FDI would be politically sensitive, both in Iraq and internationally. The UK would “promote the message on FDI to the Iraqis in private, but it will require careful handling to avoid the impression that we are trying to push the Iraqis down one particular path”.
- The need for energy price reform, required under the IMF programme.
- Oil development and the Constitution.

**462.** Mr Straw sent the Strategy to Mr Blair on 12 July.<sup>266</sup> In his covering letter, Mr Straw wrote:

“Oil and gas will inevitably form the economic foundation for Iraq’s future and remains important for the UK commercially and in terms of energy security. Foreign investment is badly needed and we need to continue to support Iraq to create the right framework for investment, while also supporting UK companies to engage. And we should continue working with the Iraqi Government to ensure the oil sector develops transparently and along lines of international best practice.”

**463.** Mr David Quarrey, Mr Blair’s Private Secretary, sent the Strategy to Sir Nigel Sheinwald with the comment: “I do not intend to put in the box! Looks OK.”<sup>267</sup>

<sup>266</sup> Letter Straw to Blair, 12 July 2005, ‘Iraq: Oil and Gas Strategy’.

<sup>267</sup> Manuscript comment Quarrey to Sheinwald, 13 July 2005, on Letter Straw to Blair, 12 July 2005, ‘Iraq: Oil and Gas Strategy’.

**464.** Sir Nigel agreed.<sup>268</sup>

**465.** Mr Straw wrote to Mr Blair on 5 July with an update on the constitutional process.<sup>269</sup> Section 9.4 describes the development of the Iraqi Constitution from June 2005 to its adoption in October 2005.

**466.** Mr Straw attached a paper produced by the FCO Research Analysts which set out the substantive issues that the Constitutional Committee needed to address, and the UK's view on those issues. He advised Mr Blair that the paper would serve as the UK's "reference point" during the negotiations on the Constitution.

**467.** The paper recognised the importance of control over natural resources in the debate on federalism.<sup>270</sup> The Kurdish authorities were expected to champion the devolution of oil revenues and the ability to manage their own economic development. Shia Arabs were increasingly calling for some sort of economic federalism for the South and a greater share of Iraq's oil revenues. The UK had "a strong interest in avoiding any arrangement which would entrench sectarian divisions, e.g. a single large federation in the South".

**468.** Mr Straw wrote to DOP(I) members on 13 October, advising them that "despite its inevitable deficiencies, the draft Constitution represents a major achievement".<sup>271</sup>

**469.** Mr Straw attached an IPU paper which identified the "potential points of contention" within the draft Constitution, including natural resources:

"The ambiguities in the text were necessary to secure agreement. But they also pave the way for difficulties in the future. Perhaps the worst offender ... is Article 109 on oil and gas, which is a model of imprecision."<sup>272</sup>

**470.** The IPU stated that Article 109 of the draft Constitution specified that the current oil and gas resources would be managed by the federal Government "with the producing governorates and regional governments" in a manner to be regulated by a law.

**471.** The IPU commented that the law would need to clarify what "with" meant in that context.

**472.** Press reports at the end of November 2005 that a Norwegian oil company had signed a contract with the Kurdish Regional Government (KRG), rather than the Iraqi

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<sup>268</sup> Manuscript comment Sheinwald to Quarrey on Letter Straw to Blair, 12 July 2005, 'Iraq: Oil and Gas Strategy'.

<sup>269</sup> Letter Straw to Prime Minister, 5 July 2005, 'Iraq: Constitution' attaching Paper FCO/RAD, June 2005, 'Constitutional Issues'.

<sup>270</sup> Paper FCO/RAD, June 2005, 'Constitutional Issues'.

<sup>271</sup> Letter Foreign Secretary to DOP(I) Committee Members, 13 October 2005, 'Iraq: Constitution Paper'.

<sup>272</sup> Letter Foreign Secretary to DOP(I) Committee Members, 13 October 2005, 'Iraq: Constitution Paper' attaching Paper IPU, [undated], 'Constitution: Potential Points of Contention'.



Government, prompted the UK Government to consider what it would be able to do if a UK company did the same.<sup>273</sup>

**473.** Mr Dominic Asquith, FCO Director Iraq, advised officials on 6 December that, in dealing with previous approaches from UK companies, he had said that:

- any contract must be with the explicit agreement of the Iraqi Government;
- any contract must have the support of the KRG, rather than any one element of it;
- even then, the legal position would be “fragile”; and
- “so wait until things become clearer”.<sup>274</sup>

**474.** FCO and IPU officials agreed that those lines were appropriate.<sup>275</sup>

**475.** Mr William Patey, British Ambassador to Iraq, reported on 13 December 2005 that:

“Oil is the critical factor in Iraq’s economic revival. Increased revenue in 2006 will depend on a continued programme of rehabilitation of current wells and infrastructure and, more importantly, improved security in the north. Serious increases will require more radical surgery. The new Government will need to focus quickly on commercialising the oil industry and a legislative framework to attract investment. The future will be complicated by discussions on constitutional provisions.”<sup>276</sup>

**476.** The pace of rehabilitation was slow. The Ministry of Oil spent less than 10 percent of its annual capital investment budget of US\$3bn (the money was used instead to pay for additional subsidised fuel imports).

**477.** There were rumours that a number of draft Petroleum Laws existed, but no one had seen them. The provisions in the Constitution on oil were unclear; ownership of the oil and how it should be managed would need to be clarified by the Constitutional Committee.

**478.** In its dialogue with potential Prime Ministers, the Embassy had emphasised:

- the importance of “getting the oil sector right” and of increasing production;
- the need for greater World Bank involvement in the sector, which would give access to additional financing on good terms and policy advice; and

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<sup>273</sup> Email Asquith to FCO [junior official], 30 November 2005, ‘Norwegian oil deal with Kurds angers Iraq’s Sunnis’.

<sup>274</sup> Email Asquith to DTI [junior official], 6 December 2005, ‘Norwegian oil deal with Kurds angers Iraq’s Sunnis’.

<sup>275</sup> Email IPU [junior official] to Asquith, 7 December 2005, ‘Norwegian oil deal with Kurds angers Iraq’s Sunnis’.

<sup>276</sup> eGram 20655/05 Baghdad to FCO London, 13 December 2005, ‘Iraq: Oil’.

- the need for increased transparency, including through the Extractive Industries Transparency Initiative (EITI).

**479.** The Iraqi elections took place on 15 December.<sup>277</sup> Negotiations to form a new government continued into spring 2006.

**480.** On 2 March 2006, DOP(I) considered a joint FCO/DTI paper setting out the UK's objectives for Iraq's oil and gas sector.<sup>278</sup>

**481.** The UK's third post-Occupation oil strategy set out a more cautious position on the potential role of the private sector, including private financing.

**482.** The FCO/DTI paper set out three "mutually reinforcing" UK objectives:

- Iraq's successful economic development;
- to promote Iraq's contribution to global energy security, and its role as a constructive influence within OPEC; and
- to support UK companies.<sup>279</sup>

**483.** The paper stated that raising oil production would require significant new investment. Iraq was unlikely to be able to finance that investment from its own resources, and did not have recent experience of the regulatory, fiscal and administrative framework needed to make optimal use of private investment or the technical and managerial expertise to manage a rapid expansion of the industry. A key challenge for the Iraqi Government was therefore to access external financing and expertise. Iraq's first step should be to engage with "experienced development partners", and specifically the World Bank, which could provide independent advice on the development of an appropriate regulatory, fiscal and administrative framework. Its second step should be to engage with international oil companies (IOCs) and oil service companies (OSCs), which could bring in technical expertise and capital.

**484.** Any form of engagement with the IOCs would be politically sensitive. The "most straightforward" form, and the one most likely to result in a rapid increase in production, was FDI; but the "appropriateness" of FDI and the contractual form it might take, along with the internal distribution of oil revenues, would be hotly contested issues within the constitutional review process. Neither Saudi Arabia nor Iran allowed PSAs, "the form of FDI most favoured by IOCs". The paper concluded that "other options such as debt/bond finance and joint ventures should also be considered".

**485.** The paper stated that IOCs, including BP, Shell and other UK companies, were not currently working in Iraq due to the security situation and the lack of a foreign investment law. BP and Shell were engaged on technical studies of oilfields and were providing training to Iraqi officials.

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<sup>277</sup> eGram 20961/05 Baghdad to FCO London, 16 December 2005, 'Iraq: Elections: Election Day'.

<sup>278</sup> Minutes, 2 March 2006, DOP(I) meeting.

<sup>279</sup> Paper IPU, 28 February 2006, 'UK Objectives for Iraq's Oil and Gas Sector'.

**486.** The paper identified five risks to UK objectives, including: **“The US dominates the field in advising Iraq on energy sector development.”**

**487.** Dr Kim Howells, FCO Minister of State, introduced the paper at the 2 March DOP(I) meeting.<sup>280</sup> He highlighted the centrality of oil to Iraq’s economy, and reported that he planned to visit southern Iraq shortly to look at issues relating to the southern oil fields. Mr Malcolm Wicks, DTI Minister of State, described projections that Iraq could produce 7.9m bpd by 2030 as very significant in the global and UK context. The UK was already working closely with IOCs and Iraq on energy issues.

**488.** In discussion, Ministers commented that oil and gas would continue to be the bedrock of Iraq’s economy, but diversification was essential in the medium term.

**489.** DOP(I) agreed that Ministers should discuss the oil sector again after Dr Howells’ visit to Iraq.

**490.** Dr Howells visited Iraq later that month. He reported to Mr Straw on 23 March that the delay in forming a Government and doubts over Iraq’s commercial legal framework were constraining investment in the oil sector, but that the biggest barrier to investment remained the security situation.<sup>281</sup> He recommended that the UK should consider what its military forces could do to provide security for international investors:

“Such a joint operation [coalition military forces and Iraqi Security Forces] would mean a different focus for our forces in the South. It would entail a shift from the urban concerns of Basra to ... desert-located oil installations ... I suggest the FCO discuss it at the earliest opportunity with the MOD.”

**491.** There are no indications that Dr Howells’ proposal was discussed by Ministers or senior officials.

**492.** Following the 2 March DOP(I) meeting and Dr Howells’ visit, the IPU assessed that Ministers would be keen to discuss the future of the oil sector again, and by the end of March had begun work to develop a “comprehensive programme of engagement” for the oil sector, covering:

- engagement with UK oil companies in support of their activities; and
- engagement with the Iraqi Government on strategic policy issues.<sup>282</sup>

**493.** Mr Asquith chaired a meeting of senior officials on 19 May to agree how the UK would like to see the Iraqi oil sector structured.<sup>283</sup> He advised Mr Straw that the group’s conclusions would be tested with “industry experts”, before being used as a basis for

<sup>280</sup> Minutes, 2 March 2006, DOP(I) meeting.

<sup>281</sup> Letter Howells to Straw, 23 March 2006, ‘My Thoughts on Iraq’s Oil Industry’.

<sup>282</sup> Paper IPU, 29 March 2006, ‘Iraq’s Oil and Gas Sector – HMG Policy and Action’.

<sup>283</sup> Minute Asquith to Private Secretary [FCO], 24 May 2006, ‘Iraq: DOP-I: 24 May’.

engaging with the Iraqi Government. The UK was already in close contact with BP and Shell on their business planning for Iraq.

**494.** The paper was finalised in September.

**495.** On 20 May, Prime Minister Nuri al-Maliki presented his Cabinet (minus the Ministers for Interior, Security and Defence) to the Council of Representatives.<sup>284</sup> All were approved. Dr Hussain al-Shahristani was appointed Minister of Oil.

**496.** Mr Blair visited Iraq on 22 May. He met President Talabani and, separately, Prime Minister Maliki.

**497.** The following day, Sir Nigel Sheinwald wrote to Mr Straw's Principal Private Secretary setting out eight areas of work which were, in Mr Blair's view, priorities for Iraq.<sup>285</sup> The final area of work listed was capacity building for Iraqi Ministries, including:

“During our visit, we were also asked for specific assistance in the areas of agriculture, and promoting investment by oil companies. I would welcome advice on both.”

**498.** A Cabinet Office official sent Mr Blair an update on work in those eight areas on 2 June.<sup>286</sup> The official advised that the FCO was working closely with Shell and BP on an early visit to meet the new Minister of Oil, and on a plan for drawing in investors.

**499.** A further, more substantive update on work in the eight areas identified by Mr Blair was considered at the 15 June meeting of DOP(I).<sup>287</sup> The update included a section on capacity-building for Iraqi ministries, but did not address promoting investment by oil companies (or the oil sector more generally).<sup>288</sup>

**500.** Mr Patey visited the Kurdish region on 14 June.<sup>289</sup> He reported that he had encouraged KRG Prime Minister Nechirvan Barzani and KRG Minister of Natural Resources Dr Ashtee Hawramy to work with the federal Iraqi Government in drafting a Petroleum Law. Mr Barzani had warned that the Kurdish people would not give up hard-won concessions in the Constitution relating to the control of resources.

**501.** IPU and DTI officials met Dr Hawramy in London on 26 June.<sup>290</sup> An IPU official reported that Dr Hawramy had said that he not been invited to sit on the drafting committee for the Hydrocarbons Law, and had outlined the content of a draft “KRG ‘Petroleum Law’”, which gave responsibility for signing contracts to regional

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<sup>284</sup> *BBC News*, 20 May 2006, *Iraqi Parliament approves Cabinet*.

<sup>285</sup> Letter Sheinwald to Hayes, 23 May 2006, ‘Iraq’.

<sup>286</sup> Minute Cabinet Office [junior official] to Prime Minister, 2 June 2006, ‘Iraq: Follow-up to Your Visit’.

<sup>287</sup> Minutes, 15 June 2006, DOP(I) meeting.

<sup>288</sup> Paper Cabinet Office, 13 June 2006, ‘Follow-up to the Prime Minister’s Visit, including Delivering a Step-change in Basra’.

<sup>289</sup> eGram 24970/06 Baghdad to FCO London, 17 June 2006, ‘Iraq: Visit to the Kurdish Region’.

<sup>290</sup> Email IPU [junior official] to Casey, 7 July 2006, ‘Meeting with KRG Minister of Natural Resources’.

Governments. Dr Hawramy thought PSAs were the only agreements that IOCs would consider.

**502.** UK officials responded that contracts should be signed by central Government. Dr Hawramy asked the UK to stop discouraging IOCs from investing in the Kurdish region.

**503.** An IPU official commented:

“While ... IOCs such as Shell and BP are currently unwilling to invest in the KRG, as the gap widens between the investment climate in the KRG and the rest of the country, a westernised, technocratic KRG Minister offering good PSA terms under a KRG Petroleum Law is going to be increasingly tempting.

...

“We were expecting him [Dr Hawramy] to express irritation at being excluded from central Government decision-making ... The impression he gave was more that the KRG was quite content to press on regardless ... We will need to work hard to persuade the Kurds that there is a game worth playing at the centre.”

**504.** Dr Howells visited Baghdad and the Kurdish Region from 6 to 7 July.<sup>291</sup> It was the first visit to the Kurdish region by a British Minister since 2004.

**505.** KRG Prime Minister Barzani told Dr Howells that relations between the KRG and the federal Government had “soured over oil”.

**506.** Dr Hawramy outlined the KRG’s draft Oil Plan and Petroleum Law. Dr Howells encouraged Dr Hawramy to “work through” the Oil Plan with the federal Government, and said that it was vitally important that the KRG Petroleum Law and the federal Government’s Hydrocarbons Law complemented each other.

**507.** The British Embassy Baghdad commented:

“The meetings [with Dr Howells] showed KRG determination to push forward on energy and reconstruction, the Oil Plan and the draft Petroleum Law being the flagships of their efforts.”

**508.** Mr Wicks met Dr Shahrstani in London on 24 July.

**509.** Mr Wicks’ briefing for the meeting stated that, while the UK had not seen a draft of the Hydrocarbons Law, it understood that it gave the federal Government responsibility for signing new oil exploration and production contracts: “This is a course of action that

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<sup>291</sup> eGram 29832/06 Baghdad to FCO London, 11 July 2006, ‘Iraq: Dr Howells Visit to Kurdistan 6-7 July 2006’.

we [the UK] would endorse, as it would ensure that the sector was managed in the national interest.”<sup>292</sup>

**510.** The briefing also stated that the issue of corruption and transparency was rising up the UK’s agenda in Iraq.

**511.** At the meeting, Dr Shahrastani said the Iraqi Government’s aim was to get the Hydrocarbons Law through Parliament by the end of 2006.<sup>293</sup> He asked Mr Wicks whether the UK could play a role in lobbying for a national, rather than regional, approach to signing oil exploration contracts. Mr Wicks agreed to reflect on how that message could best be conveyed.

**512.** A junior official in the British Embassy Baghdad reported on 21 September that there was little support for the EITI within the Ministry of Oil.<sup>294</sup> The official identified a number of possible approaches to increase support, including asking the IOCs to express their support for the EITI to the Iraqi Government, as: “The Oil Ministry cares more about what they [the IOCs] think than about what we think.”

**513.** The work to develop a “comprehensive programme of engagement” for the oil sector that was initiated in March concluded in September with the production of a paper entitled, ‘Iraq: Building a Framework for Oil Sector Development’.<sup>295</sup>

**514.** The paper stated that:

“Our [the UK’s] starting point is that decisions on oil sector management could support or fatally undermine efforts to preserve the territorial integrity and democratic development of Iraq. Our key concern is therefore to preserve the integrity and competence of the Iraqi state as a basis for national unity, as well as to create a long-term basis for transparency and adequate investment in the sector.”

**515.** The paper defined four principles which would guide the UK’s approach:

- The oil industry should be structured to allow for managerial and financial autonomy of business units, “within an environment principally regulated at the federal (national) level”.
- The emphasis should be on creating an effective public sector national oil company. Within that overall framework, and subject to decisions by the Iraqi Government, private resources accessed through FDI, bonds, and commercial and concessional lending were likely to be needed.

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<sup>292</sup> Briefing, [undated], ‘Mr Wicks’s Meeting with Dr Hussain Al-Shahrastani (Iraqi Minister of Oil) and Dr Abd Al-Sudani (Iraqi Minister of Trade)’.

<sup>293</sup> Record, [undated], ‘Mr Wicks’s Meeting with Dr Hussain Al-Shahrastani (Iraqi Minister of Oil) and Dr Abd Al-Sudani (Iraqi Minister of Trade): Monday 24 July’.

<sup>294</sup> Email FCO [junior official] to FCO [junior official], 21 September 2006, ‘EITI – Update’.

<sup>295</sup> Paper British Embassy Baghdad, September 2006, ‘Iraq: Building a Framework for Oil Sector Development’.

- Any agreement on resource management must be accompanied by a guaranteed revenue-sharing formula acceptable to the KRG and Iraq's governorates.
- Transparency in the role of government institutions and in the collection and disbursement of revenues was critical. The UK endorsed the principles of the EITI.

**516.** The paper set out the UK's lobbying strategy in support of those principles, and stated:

"The current situation is characterised by severe constitutional uncertainty, a low level of trust between the key players and a lack of sense of urgency on the part of the Ministry of Oil.

"On most interpretations, the current text of the Constitution leaves the federal Government emasculated on oil sector management. Promoting the vision outlined in the main body of this paper will therefore be difficult ..."

**517.** The paper stated that the KRG refused to countenance the possibility that the "substantive" concessions they had won in the constitutional negotiations – which gave regional authorities control over the development of new fields and on some interpretations the rights to revenues from those fields – would be revisited. Meanwhile, the KRG was "putting facts on the ground" by signing PSAs with "mainly small, high-risk" IOCs, and moving ahead quickly with its own Petroleum Law.

**518.** A junior official at the British Embassy Baghdad commented that since 2003 successive interim and transitional Iraqi Governments had not had the opportunity to address oil sector management.<sup>296</sup> The issue was now "rising up the agenda" in Iraq, and the UK had to be ready to engage at a senior level.

**519.** The UK first saw a draft of the Hydrocarbons Law in late October/early November 2006.

**520.** The British Embassy Baghdad reported on 1 November that the Ministry of Oil had sent a draft Hydrocarbons Law to the Council of Ministers, for consideration before submission to the Council of Representatives.<sup>297</sup> The Embassy had seen a version of the draft Law. It made clear that oil resources must be controlled by central Government, and cited Article 109 of the Constitution (which stated that oil and gas resources were the property of the whole nation) in support of that position. The Embassy commented that it was unlikely that the KRG would accept the draft.

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<sup>296</sup> Email FCO [junior official] to Paterson, 21 September 2006, 'Oil Sector Structure Submission'.

<sup>297</sup> eGram 48261/06 Baghdad to FCO London, 1 November 2006, 'Iraq: Hydrocarbons Law Update'.

**521.** The British Embassy Baghdad produced a “core script” setting out the UK’s response to the draft Hydrocarbons Law on 7 November.<sup>298</sup> Key messages for the UK to relay to Iraqi contacts included:

- It was crucial that an agreed national law was passed soon, given the importance of oil to national economic and security interests.
- The Iraqi Constitution stated that oil resources belonged to all Iraqi citizens. The federal Government was best placed to ensure that those resources were developed to the maximum benefit for all Iraqi citizens.
- A national law should be agreed before the KRG passed a regional law.

**522.** UK officials continued to meet regularly with Ministers and senior officials in the Iraqi Government and the KRG to discuss progress towards agreeing a Hydrocarbon Law.

**523.** The IPU provided Dr Howells with an update on negotiations on a Hydrocarbons Law on 14 February 2007.<sup>299</sup> While there was not yet any agreement, there was a “strong impetus to achieve consensus”. President Bush had identified the passing of the Hydrocarbons Law as a key indicator of progress in Iraq. The US Ambassador was working hard to bring the key players together. The UK had “remained in close touch with the key negotiators ... in support”.

**524.** The update advised that the latest draft Hydrocarbons Law addressed only two of the four principles which the UK had defined in September 2006 (it would establish a national public-sector oil company and contained helpful clauses on transparency).

**525.** The update proposed that, while the UK’s influence was “limited”, it should, alongside the US, continue to lobby key Iraqi players, and encourage the IMF and World Bank to play an active role in providing assistance and advice on the more technical aspects of the negotiations.

**526.** Dr Howells accepted that proposal, and agreed that the UK’s influence was limited.<sup>300</sup>

**527.** Mr Asquith reported from Baghdad in May that disagreements continued over the extent of regional authority in the oil sector and on the implications of foreign investment.<sup>301</sup> He commented:

“The political mood makes quick passage of the HCL [Hydrocarbons Law] unlikely. Differences between the Kurds and Baghdad go beyond simple posturing, with Kurdish hardball tactics generating worrying anti-Kurdish sentiment among Arab politicians. Resolution by the summer would be an achievement.”

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<sup>298</sup> Email FCO [junior official] to IPU [junior official], 7 November 2006, ‘HCL – Core Script’.

<sup>299</sup> Minute IPU [junior official] to PS/Dr Howells, 14 February 2007, ‘Iraq: Hydrocarbons Law Update’.

<sup>300</sup> Email APS/Howells [FCO] to junior official [IPU], 19 February 2007, ‘Iraq: Hydrocarbons Law Update’.

<sup>301</sup> eGram 20342/07 Baghdad to FCO London, 14 May 2007, ‘Iraq: Update on the Hydrocarbons Law’.



**528.** Mr Gordon Brown became Prime Minister on 26 June 2007.

**529.** Before Mr Brown's final visit to Iraq as Chancellor of the Exchequer in June 2007, he commissioned advice on how the UK could increase support for economic development and reconstruction in Iraq and, in particular, in Basra.<sup>302</sup>

**530.** The Treasury advised that greater security and political solutions were key to stability, but needed to be complemented by a focus on priority economic problems.<sup>303</sup> There were three priorities to boost economic growth:

- maintaining macroeconomic stability;
- improving the efficiency and effectiveness of the public sector; and
- expanding and improving the efficiency of the oil industry. That required:
  - a political agreement on a Hydrocarbons Law;
  - better security, to facilitate a significant increase in investment (including foreign investment); and
  - an integrated energy strategy for investment and reform, to ensure that the development of the sector delivered visible improvements in electricity supply to drive private sector recovery.

**531.** The negotiating process for a Hydrocarbons Law should be allowed to “run its course”, to minimise technical ambiguities and force all parties to address difficult political issues. The UK was “working to bring in” the World Bank to assist Iraq in developing and implementing an integrated energy strategy.

**532.** Mr Brown wrote to Prime Minister Maliki on 29 July, setting out some suggestions for how the UK could help on initiatives to develop the Iraqi economy.<sup>304</sup> Those included:

“Working with the World Bank, we are ready to help you develop an integrated energy strategy, outlining investments and reforms in oil, gas and electricity sectors.”

**533.** Prime Minister Maliki replied on 7 October, welcoming the UK's interest in supporting private sector development in Iraq.<sup>305</sup> In relation to oil, Iraq would welcome UK help on infrastructure repairs, installation development and the development of an integrated energy strategy.

**534.** Mr Brown met Prime Minister Maliki in the UK on 3 January 2008.<sup>306</sup> Mr Brown said that he wanted to see rapid progress on the Hydrocarbons Law and local elections.

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<sup>302</sup> Email Bowler to Pillay and FCO [junior official], 12 May 2007, ‘Iraq – Latest Situation/Economic Development’.

<sup>303</sup> Paper Pillay, 24 May 2007, ‘Economic Aspects of Stability in Iraq’.

<sup>304</sup> Letter Brown to Maliki, 29 July 2007, [untitled].

<sup>305</sup> Letter Maliki to Brown, 7 October 2007, [untitled].

<sup>306</sup> Letter Fletcher to Carver, 3 January 2008, ‘Prime Minister's Bilateral with Prime Minister of Iraq, 3 January’.

**535.** The British Embassy Baghdad provided an update on the oil sector in January 2008.<sup>307</sup> The Embassy reported that with negotiations stalled, the KRG had passed its own regional Hydrocarbons Law in August 2007 and “vigorously resumed signing contracts”. Dr Shahrstani had pronounced those contracts illegal and void and the Iraqi Government had threatened to boycott all companies that signed contracts with the KRG.

**536.** The Iraqi Government and the KRG continued to discuss a Hydrocarbons Law, but “fundamental personality clashes and political obstacles” remained and early progress was unlikely. The US continued to “shepherd” the negotiations, but to little effect.

**537.** In the update, the Embassy did not report on or propose any UK action with respect to the Hydrocarbons Law.

**538.** The Embassy also reported that, as those negotiations continued, the Iraqi Government was pursuing technical service agreements (TSAs) with IOCs to improve oil production in five major oilfields. The Embassy commented that the TSAs were less attractive to IOCs than PSAs and would increase production by only a “fraction” of what might be achieved under PSAs. There remained substantial political resistance, “on sovereignty grounds”, to PSAs within the Iraqi Government.

**539.** Oil production in 2007 had averaged 2.1m bpd, the same as in 2006. Higher oil prices – US\$73 a barrel in 2007 against US\$65 in 2006 – had meant higher revenues – US\$41bn in 2007 against US\$31bn in 2006.

**540.** Section 9.7 describes discussions within the UK Government from autumn 2008 on the transition to a normal bilateral relationship with Iraq.

**541.** On 9 December, the Overseas and Defence Sub-Committee of the Committee on National Security, International Relations and Defence (NSID(OD)), the successor to DOP(I), discussed a paper entitled ‘Iraq: Arrangements for Transition’.<sup>308</sup> An annex to the paper suggested that the key elements of future relations with Iraq should be:

- diplomatic and political activity,
- economic development,
- defence,
- energy,
- commercial, and
- education.

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<sup>307</sup> Telegram 2973/08 Baghdad to FCO London, 27 January 2008, ‘Hydrocarbons Law: Deadlock Continues’.

<sup>308</sup> Minutes, 9 December 2008, NSID(OD) meeting; Paper, 8 December 2008, ‘Iraq: Arrangements for Transition’.

**542.** The objective of the energy component was to:

“... ensure security of Iraq’s oil supply and long-term increase in oil output through political lobbying on hydrocarbons legislation and national energy policy and regional support.”

**543.** The paper invited Ministers to agree that Mr David Miliband, the Foreign Secretary, should circulate detailed proposals on the UK’s future relations with Iraq, for agreement in writing.

**544.** Summing up the discussion, Mr Brown said that it was important to make progress on the Hydrocarbons Law.<sup>309</sup>

**545.** NSID(OD) agreed that sign-off for the UK’s long-term strategy for Iraq would be sought out of committee.<sup>310</sup>

**546.** Mr Miliband’s Private Secretary circulated a draft strategy for “UK policy towards and relations with Iraq following military drawdown” on 13 January 2009.<sup>311</sup>

**547.** The draft strategy stated that the UK had a strategic national interest in a strong, stable and non-hostile Iraq, which:

“... contributes positively to stable world energy markets by maximising its potential as a producer and exporter of oil and gas; and increased EU energy security through developing new supply routes.”

**548.** The strategy identified a number of essential factors for establishing a strong and stable Iraq, including:

“... a functioning economy. In the medium term [that] will be driven by hydrocarbon production and export, which in turn requires agreement on a Hydrocarbons Law articulating the governance and development of the energy sector.”

**549.** The UK’s aim in the energy sector should be to:

“... help Iraq to maximise [its] potential, and hence its contribution to global oil markets and EU energy security. This will involve a combination of political lobbying on Iraqi legislation, policy dialogue and education, capacity building in central government ministries (including through a specific skills initiative), and working alongside foreign investors who can inject capital and skills into the wider Iraqi energy sector.”

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<sup>309</sup> Minutes, 9 December 2008, NSID(OD) meeting.

<sup>310</sup> Minutes, 9 December 2008, NSID(OD) meeting.

<sup>311</sup> Letter Hickey to Catsaras, 13 January 2009, ‘Iraq: Strategy’ attaching Paper, [undated] ‘Iraq: a Review of Strategy’.

**550.** An annex to the main paper described “problem areas”, including:

- no broad agreement on the extent of political and economic centralism versus devolution, including in relation to energy sector development and revenue sharing; and
- the Iraqi Government’s reliance on oil revenues (which comprised more than 90 percent of revenues). A protracted period of low oil prices could even affect the Government’s ability to fund operational expenditure.

**551.** On 9 February, Mr Brown’s Assistant Private Secretary told the Private Secretaries to Mr Miliband and Lord Mandelson, the Business, Enterprise and Regulatory Reform Secretary, that Mr Brown had endorsed the strategy.<sup>312</sup>

**552.** Sir Mark Lyall Grant, FCO Political Director, told the Inquiry that the strategy reflected the strategic importance of Iraq to the UK:

“There is no doubt in my mind that Iraq is a very important strategic country for the United Kingdom ... and that, therefore, we should have a long-term strategic relationship with Iraq ...

“The reason I say that on Iraq is because Iraq is a country which sits on the dividing line between Persia and the Arab world. It sits on the dividing line between Sunni and Shia communities. It is a neighbour of Turkey, and, therefore, could be a neighbour of the European Union, if Turkey joins the European Union. It has got massive oil and gas reserves. We therefore have a very strong strategic interest in Iraq being a successful, prosperous, stable country, and in being an ally of the United Kingdom.”<sup>313</sup>

**553.** Sir Mark said that it was not possible to strictly prioritise the UK’s political, commercial and socio-economic interests in Iraq, in terms of their importance to the UK.<sup>314</sup> What was “essential” from the UK’s perspective was that Iraq remained a single state with secure borders, with a functioning Government that could exert full security control of the country and a functioning economy.

Table 1: Iraqi crude oil production and revenue (selected years)

	1989	2002	2003	2004	2005	2006	2007	2008	2009
Oil production (m bpd) <sup>315</sup>	2.90	2.02	1.31	2.01	1.88	2.00	2.09	2.38	2.39
Oil revenue from exports (US\$bn) <sup>316</sup>	–	–	5.1	17.2	23.3	31.9	38.3	61.2	39.2

<sup>312</sup> Letter Catsaras to Hickey & Abel, 9 February 2009, ‘Iraq Strategy’.

<sup>313</sup> Public hearing, 20 January 2010, pages 21-22.

<sup>314</sup> Public hearing, 20 January 2010, page 26.

<sup>315</sup> US Energy Information Administration website. *Iraq Crude Oil Production by Year*.

<sup>316</sup> Brookings Center for Middle East Policy, Iraq Index, *Comparison of Oil Revenue from Exports, 2003-2012*.

## UK Government support for UK business

### UK commercial interests, 2001 to 2002

**554.** Sections 1.1 and 1.2 describe the increasing challenges from 1999 to the US/UK policy for the containment of Iraq.

**555.** In January 2001, the FCO's Middle East Department drew up an internal paper for a meeting of the FCO Policy Board, which reassessed the UK's "fundamental interests" in relation to Iraq and recommended a new approach to promoting them.<sup>317</sup> The UK's interests were identified as:

- regional stability, including through the non-proliferation of Weapons of Mass Destruction (WMD);
- energy security: the region accounted for 33 percent of the world's oil production and 66 percent of world oil reserves;
- a "level playing field" for UK companies: at its peak, UK trade with Iraq was US\$500m a year;
- preserving the credibility and authority of the UN Security Council;
- maintaining the coherence of UK policy, including on human rights, adherence to UN Security Council resolutions, and non-proliferation;
- improving the humanitarian and human rights situation in Iraq;
- avoiding a US/UK split; and
- reducing the UK's isolation in the EU.

### Planning and preparing for a post-conflict Iraq

**556.** From 20 September 2002, the Cabinet Office-led Ad Hoc Group on Iraq (AHGI) co-ordinated all non-military cross-government work on post-conflict issues. The focus of the AHGI's work was a series of analytical papers by the FCO and other departments on the post-conflict administration and reconstruction of Iraq, and the possible consequences of conflict for the UK.

**557.** The AHGI held its first meeting on 20 September.<sup>318</sup> Mr Jim Drummond, Assistant Head of the Cabinet Office Overseas and Defence Secretariat (OD Sec), wrote to Mr Desmond Bowen, Deputy Head of OD Sec, the day before, suggesting issues for discussion and proposing departmental responsibilities for those issues.

**558.** Neither Mr Drummond's minute to Mr Bowen nor the record of the 20 September AHGI meeting indicated that work was being or should be undertaken on promoting UK commercial interests in a post-conflict Iraq.<sup>319</sup>

<sup>317</sup> Paper FCO, January 2001, 'Iraq: A fresh look at UK interests'.

<sup>318</sup> Minute Drummond to Bowen, 19 September 2002, 'Ad Hoc Group on Iraq (AHGI)'.

<sup>319</sup> Minute Drummond to Bowen, 19 September 2002, 'Ad Hoc Group on Iraq (AHGI)'; Minute Drummond to Manning, 23 September 2002, 'Ad Hoc Group on Iraq'.

**559.** The record of the first AHGI meeting stated that work should remain “as internal thinking within departments” for the next few weeks.<sup>320</sup>

**560.** The AHGI remained the principal Whitehall co-ordination mechanism for non-military Iraq planning until the creation of the inter-departmental Iraq Planning Unit (IPU) in February 2003.

**561.** The AHGI did not commission or receive any papers relating to UK commercial interests in a post-conflict Iraq during its operation.

**562.** On 12 September 2002, Sir David Manning, the Head of OD Sec and Mr Blair’s Foreign Policy Adviser, commissioned a paper from the FCO setting out what a post-Saddam Government might look like.<sup>321</sup>

**563.** The FCO sent its paper on post-Saddam government in Iraq, entitled ‘Scenarios for the future of Iraq after Saddam’, to Sir David on 26 September.<sup>322</sup> It was circulated separately to the AHGI.

**564.** The paper stated that to influence developments on Iraq, the UK needed “the clearest possible sense of our objectives for Iraq”. The UK’s “fundamental interest in a stable region providing secure supplies of oil to world markets” suggested four overarching priorities:

- termination of Iraq’s WMD programme and permanent removal of the threat it posed;
- a more inclusive and effective Iraqi Government;
- a viable Iraq which was not a threat to its neighbours; and
- an end to Iraqi support for international terrorism.

**565.** The UK also had a number of “second order” objectives, including ensuring that British companies benefitted from any post-war reconstruction contracts.

**566.** Sir Christopher Meyer, British Ambassador to the US, responded to the paper by questioning whether it was right to classify securing reconstruction contracts as a second order objective.<sup>323</sup> Russia and France were, by all accounts, anxious about their economic interests in Iraq after Saddam Hussein. UK interests were not something to press immediately, but should be a “top priority” in post-Saddam contingency planning. Mr Blair would have to pursue the issue with President Bush if the UK were to have any impact.

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<sup>320</sup> Minute Drummond to Manning, 23 September 2002, ‘Ad Hoc Group on Iraq’.

<sup>321</sup> Letter Manning to McDonald, 12 September 2002, ‘Iraq’.

<sup>322</sup> Letter McDonald to Manning, 26 September 2002, ‘Scenarios for the future of Iraq after Saddam’ attaching Paper FCO, [undated], ‘Scenarios for the future of Iraq after Saddam’.

<sup>323</sup> Telegram 1256 Washington to FCO London, 1 October 2002, ‘Iraq: Dividing the Spoils’.

**567.** Sir Christopher concluded:

“We [the UK] will need to register with the Americans that, in the event of war, the UK will expect to get a generous share of reconstruction and oil contracts after Saddam’s defeat. This did not/not happen in Kuwait after the Gulf War.”

**568.** An oil industry representative called on Mr Edward Chaplin, FCO Director Middle East and North Africa, on 2 October to express his concern that “by sticking to the rules over Iraq and not going for post-sanctions contracts”, UK oil companies would lose out.<sup>324</sup> There were rumours that some countries would “sell their support” for US action in return for a guarantee that their deals with Saddam Hussein’s regime would be honoured by a new administration.

**569.** Mr Chaplin said that the FCO was “seized of the issue” and “determined to get a fair slice of the action for UK companies”. Most of the rumours could be discounted.

**570.** Trade Partners UK (TPUK)<sup>325</sup> began considering in early October 2002 what it could and should do in the event that Iraq returned to “any degree of normalcy”.<sup>326</sup>

**571.** On 15 October, Mr Bill Henderson, TPUK Director International Group 1, advised Baroness Symons, joint Department of Trade and Industry (DTI)/FCO Minister of State for International Trade and Investment, that TPUK’s contingency planning was “purely internal and at a very early stage”.<sup>327</sup> TPUK had made provision for a Commercial Officer to be included in the initial stage of a re-established UK mission in Baghdad. There were likely to be significant commercial opportunities for UK firms, although there were limits on what TPUK could do to identify those opportunities:

“For the moment there is some sensitivity to giving prominence to the commercial aspects. We are keen to avoid giving the impression that commercial interests are driving our policy in Iraq.”

**572.** On 25 October, Mr Tony Brenton, Deputy Head of Mission at the British Embassy Washington, reported a conversation with Vice President Dick Cheney’s office, in which he had been told that Vice President Cheney was about to discuss Iraqi oil contracts with former Russian Prime Minister Yevgeny Primakov. Mr Primakov would be told that the “bids of those countries which co-operated with the US over Iraq would be looked at more sympathetically than those which did not”.<sup>328</sup>

<sup>324</sup> Email Chaplin to Gray, 2 October 2002, ‘Iraq – Views of UK Business’.

<sup>325</sup> Trade Partners UK was the division of British Trade International (BTI) responsible for promoting UK exports until October 2003, when BTI was renamed UK Trade and Investment (UKTI) and the Trade Partners UK identity fell out of use.

<sup>326</sup> Minute TPUK [junior official] to Henderson, 2 October 2002, ‘Iraq – Getting Back into the Market’.

<sup>327</sup> Minute Henderson to PS/Baroness Symons, 15 October 2002, ‘Iraq: Contingency Planning Commercial Aspects’.

<sup>328</sup> Letter Brenton to Chaplin, 25 October 2002, ‘Iraq: Oil’.

**573.** Representatives of BP, Shell and British Gas met Baroness Symons on 31 October to discuss their concerns.<sup>329</sup> Mr Christopher Segar, Head of the FCO's Aviation Maritime and Energy Department (AMED), reported that all three companies had argued that they had been scrupulous in observing sanctions but were keen to play a part in any reconstruction effort. They did not want a privileged position but equally did not want to be "locked out" through deals done by the US for wider political purposes. They wanted a "level playing field".

**574.** In response, Baroness Symons had said that, given the Russians' considerable economic interest in Iraq, it was "very possible that a deal or deals" might be under discussion in the US.

**575.** Baroness Symons reported her meeting to Mr Jack Straw, the Foreign Secretary, and commented:

"I said that we could not make any definitive undertakings [on securing contracts], given our determination that any action in relation to Iraq is prompted by our concerns over WMD, and not a desire for commercial gains.

"However, I undertook to draw this issue to your attention as a matter of urgency. They were genuinely convinced that deals were being struck and that British interests are being left to one side."<sup>330</sup>

**576.** The British Embassy Washington reported on 31 October that it had reassured BP representatives that the Embassy had seen no evidence of any deals.<sup>331</sup> The Embassy had agreed to "keep a watchful eye".

**577.** The Cabinet Office reported to Sir David Manning on 31 October that the instruction to departments not to engage with external actors on contingency planning for post-conflict Iraq (confirmed in the record of the first meeting of the AGHI on 20 September) was, in practice, being overtaken.<sup>332</sup> There was particular pressure for consultation from the UK oil industry; a delegation from BP would be visiting the FCO on 6 November.

**578.** The FCO hosted a presentation on Iraqi energy on 6 November given by a team from BP.<sup>333</sup> Mr Rycroft sent the record of the presentation to Mr Jonathan Powell, Mr Blair's Chief of Staff, and Sir David Manning as evidence of why Iraq was so important to BP.<sup>334</sup>

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<sup>329</sup> Minute Segar to PS/Baroness Symons, 31 October 2002, 'Iraq Oil'.

<sup>330</sup> Minute Symons to Straw, 1 November 2002, 'Iraqi Oil and Gas'.

<sup>331</sup> Telegram 1418 Washington to FCO London, 31 October 2002, 'BP & Iraqi Oil'.

<sup>332</sup> Minute Dodd to Manning, 31 October 2002, 'Iraq: After the UNSCR'.

<sup>333</sup> Minute FCO [junior official] to Arthur, 13 November 2002, 'BP/Iraqi Energy'.

<sup>334</sup> Manuscript comment Rycroft, 18 November 2002, on Minute FCO [junior official] to Arthur, 13 November 2002, 'BP/Iraqi Energy'.



**579.** Mr Powell forwarded the record to Mr Blair, who commented: “But what do we do about it?”<sup>335</sup>

**580.** On 8 November, the AHGI confirmed that departments were now “encouraged, where necessary, to engage those outside Government in prudent contingency planning as long as such contact is discreet. This extends to DTI planning on the UK role in a post-Saddam economy, particularly in the oil sector.”<sup>336</sup>

**581.** Sir Christopher Meyer wrote to Sir David Manning on 15 November, reporting the Embassy’s recent discussions with UK oil industry representatives:

“We have made clear that the US motivation as regards Iraq parallels our own: this is a matter of national security, not oil. We emphasised the flat denials we have received from State Department that any such discussions [between non-UK companies and the US Administration] are under way.

“Nevertheless, the rumours persist. It is not clear ... what went on behind the scenes at the US/Russia energy ‘summit’ in Houston last month ... We have seen a report from our team at CENTCOM [US Central Command] which suggests that the Pentagon has already awarded a contract to Kellogg, Brown and Root, a subsidiary of Halliburton, to restore the Iraqi oil industry to production levels of 3m bpd ... We have so far been unable to obtain collateral for this from the Administration, and it might well in any case amount to no more than prudent contingency planning to stabilise Iraqi oil facilities if Saddam attempts to damage them in a conflict.

“Either way, there is clearly an issue here which we need to tackle ... My view remains that the only realistic way in to this is via a PM [Mr Blair] intervention with Bush ... The points to make would be:

- Once Saddam has been disarmed ... Iraq’s oil industry will be central to ... economic recovery.
- We, as you, have energy majors who have skills and resources to help ...
- To give the lie to suggestions that this campaign is all about oil, it is vitally important that, once sanctions are lifted, there is seen to be a level playing field for all companies to work in Iraq.”<sup>337</sup>

**582.** Sir Christopher stated that “by being too squeamish and slow off the mark, the UK did badly out of the Kuwait reconstruction contracts in 1991”. The approach outlined above was the least the UK should do, to avoid a similar outcome.

**583.** The Kellogg, Brown and Root (KBR) contract referred to by Sir Christopher was likely to be the US\$1.9m contract to plan the repair of Iraq’s oil infrastructure awarded

<sup>335</sup> Manuscript comment Blair on Minute FCO [junior official] to Arthur, 13 November 2002, ‘BP/Iraqi Energy’.

<sup>336</sup> Minute Dodd to Manning, 11 November 2002, ‘Ad Hoc Group on Iraq’.

<sup>337</sup> Letter Meyer to Manning, 15 November 2002, ‘Iraqi Oil’.

to KBR under the US Army's Logistics Civil Augmentation Program (LOGCAP) on 8 November.<sup>338</sup>

**584.** Sir David Manning raised oil and gas contracts during a meeting with Dr Condoleezza Rice, President Bush's National Security Advisor, in Washington on 9 December.<sup>339</sup> A TPUK briefing note produced for Sir David Manning in advance of the meeting summarised the UK's position:

"It would be inappropriate for HMG [Her Majesty's Government] to enter into discussions about any future carve-up of the Iraqi oil industry. None-the-less it is essential that our companies are given access to a level playing field in this and other sectors ..."<sup>340</sup>

**585.** At the meeting, Sir David said that he hoped UK energy companies "would be treated fairly and not overlooked if Saddam left the scene".<sup>341</sup> Dr Rice said that it would be particularly unjust if companies that had observed sanctions since 1991, a category which included UK companies, were not among the beneficiaries of post-Saddam Iraq.

**586.** The US Agency for International Development (USAID) began the process of letting its major post-conflict reconstruction contracts in December 2002.<sup>342</sup> At that time, US military preparations were gathering pace. It was clear that very little time remained before a military campaign.

**587.** The UK participated in two rounds of US/UK/Australia talks on post-conflict issues, on 6 November 2002 and 22 January 2003 (see Sections 6.4 and 6.5). There are no indications that commercial interests were discussed during those talks.

**588.** Mr Blair met with President Bush and Dr Rice in Washington on 31 January 2003 to discuss post-conflict planning.

**589.** A briefing prepared for Mr Blair by the FCO included in its list of objectives: "To convince President Bush ... the US needs to pay much more attention, quickly, to planning on 'day after' issues; and that the UN needs to be central to it."<sup>343</sup> Key messages included:

- Restoring oil production will be an immediate challenge. Oil sector will need some technology and a lot of capital. We must encourage an open investment regime and a level playing field for foreign companies."

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<sup>338</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>339</sup> Minute Manning to Prime Minister, 11 December 2002, 'Iraq'.

<sup>340</sup> Paper TPUK, 29 November 2002, 'Note for Sir David Manning on UK Oil Company Interests in Iraq'.

<sup>341</sup> Minute Manning to Prime Minister, 11 December 2002, 'Iraq'.

<sup>342</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>343</sup> Paper FCO Middle East Department, 30 January 2003, 'Prime Minister's visit to Camp David, 31 January: Iraq'.

**590.** A short Cabinet Office paper offered Mr Blair a “few OD Sec points, just in case they slip through the briefing”.<sup>344</sup> Those included:

- Agree the importance of transparency in the use of oil revenues. Argue for a level playing field for UK companies on new exploration contracts.”

**591.** The record of the meeting between President Bush and Mr Blair does not show any discussion of oil issues.<sup>345</sup>

**592.** Officials from TPUK, the FCO, the Export Credit Guarantee Department (ECGD) and a representative from the British Consultants and Contractors Bureau (BCCB) met on 7 February to discuss post-conflict commercial issues.<sup>346</sup>

**593.** Following that meeting, Mr Henderson provided a further update for Baroness Symons on TPUK’s contingency planning. He advised that:

“Until now, most of our [TPUK] meetings have involved only internal players, and have been relatively low key, in view of our wish to avoid giving undue prominence to the commercial aspects of HMG’s handling of the crisis. The participation of BCCB in this meeting marked a new phase of our planning process.”

**594.** The meeting had concluded that the assistance needed by UK companies would fall into three categories:

- During “Stage 1”, a small number of UK companies would want UK Government help to gain quick access to infrastructure that they had installed in Iraq, as part of the humanitarian and reconstruction effort but also “to protect their competitive advantage”. Planning would require close consultation with the MOD.
- During “Stage 2”, TPUK would provide UK companies with information on opportunities arising from the initial stages of the humanitarian and reconstruction effort.
- During “Stage 3”, TPUK would help UK companies position themselves to take advantage of short- and medium-term reconstruction contracts. Close contact with the US would be a key factor.

**595.** Mr Henderson advised that UK companies were arguing strongly that the UK Government should press the US Government to guarantee a “level playing field” for UK companies on reconstruction contracts, including for oil and gas contracts. Six business representatives had recently written to Baroness Symons, expressing their concern that the UK was not extracting sufficient commercial advantage from its support for the US.

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<sup>344</sup> Minute Drummond to Rycroft, 28 January 2003, ‘Iraq: US Visit’.

<sup>345</sup> Letter Manning to McDonald, 31 January 2003, ‘Iraq: Prime Minister’s Conversation with President Bush on 31 January’.

<sup>346</sup> Minute Henderson to Symons, 12 February 2003, ‘Iraq: Post-Conflict Commercial Issues’.

**596.** Mr Henderson concluded by commenting that although TPUK participated in the weekly meetings of the AHGI:

“... the overall Whitehall agenda appears to attach little importance to the commercial aspect and the interests of UK companies.”

**597.** Mr Geoff Hoon, the Defence Secretary, discussed post-conflict issues with Mr Donald Rumsfeld, US Secretary of Defense, and Dr Rice in Washington on 12 February.

**598.** Mr Drummond sent Mr Ian Lee, MOD Director General Operational Policy, a final version of the UK’s “key messages” on post-conflict Iraq on 11 February, for Mr Hoon to use in his meetings.<sup>347</sup> The final key message was:

“Level playing field: Big contracts to rebuild Iraq. Putting UK lives on line. Expect level playing field for UK business in oil and other areas.”

**599.** The British Embassy in Washington’s record of Mr Hoon’s meetings with Secretary Rumsfeld and Dr Rice on 12 February did not include any reference to a discussion on commercial issues.<sup>348</sup>

**600.** Mr Henderson advised an FCO official on 25 February that the “general point” that UK companies should be in a position to access opportunities arising from reconstruction and rehabilitation in Iraq had been raised at an (unspecified) high level with the US Government.<sup>349</sup> The UK had been assured that a level playing field would apply. Mr Henderson commented: “however, the reality is that US companies will be in a privileged position”.

**601.** Mr Henderson sought Baroness Symons’ agreement on 27 February that officials should adopt a “more open, pro-active approach” in their dealings with UK companies.<sup>350</sup> Interest from UK companies was growing, and the UK Government needed to be seen to respond.

**602.** Baroness Symons forwarded Mr Henderson’s minute to Mr Straw and Ms Patricia Hewitt, Secretary of State for Trade and Industry and Minister for Women and Equality.<sup>351</sup> In a covering letter, Baroness Symons reported that more and more companies were approaching her and TPUK about post-conflict reconstruction. The UK Government had been careful not to take a more public stance in support of UK business. That was the

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<sup>347</sup> Letter Drummond to Lee, 11 February 2003, ‘Iraq Post Conflict: Key Messages’ attaching Paper Cabinet Office, 11 February 2003, ‘Iraq Post Conflict: Key Messages’.

<sup>348</sup> Telegram 203 Washington to FCO London, 13 February 2003, ‘Iraq: Defence Secretary’s Visit to Washington’.

<sup>349</sup> Minute Henderson to FCO [junior official], 25 February 2003, ‘Iraq: UK/US issues’.

<sup>350</sup> Minute Henderson to PS/Symons, 27 February 2003, ‘Iraq Contingency Planning: Commercial Aspects’.

<sup>351</sup> Minute Symons to Straw and Hewitt, [undated], ‘Iraq: Commercial Aspects’.

right approach, bearing in mind the UK was making the case that the conflict was about WMD and not oil:

“But the pressure from businesses is building and I fear that some of our business community fear we are not engaged. Some think that the US and France are ahead of the game already ...”

**603.** Baroness Symons concluded that she felt strongly that the time was right “to be more on the front foot”.

**604.** At the end of February, Mr Keith Allan, TPUK Deputy Director International Group 1, reported to TPUK colleagues that Mr Dominick Chilcott, the Head of the IPU, had told him that there was scope for a “TPUK slot” in the US Office of Reconstruction and Humanitarian Assistance (ORHA).<sup>352</sup> The US needed more resources in ORHA and Mr Chilcott believed that ORHA would welcome someone who could make a substantive contribution. Mr Chilcott had made it clear that the individual would need to do “a real job”.

**605.** Mr Allan commented:

“We see this as a key opportunity for UK plc. As Dominick [Chilcott] said, there would be no guarantees of contracts, but it would be a clear demonstration of our commitment to do our best for UK companies.”

**606.** A junior official in British Trade International (BTI) joined ORHA (then based in Washington) on 9 March. He subsequently deployed with ORHA to Kuwait and Baghdad.<sup>353</sup>

**607.** On 8 March, the US Army Corps of Engineers (USACE), which had responsibility within the US Government for the reconstruction of the oil sector, awarded a contract for the repair of Iraq’s oil infrastructure, worth up to US\$7bn, to KBR.<sup>354</sup> *Hard Lessons* reported that the contract was the single largest reconstruction contract in Iraq and the largest known sole-source contract in US history.

**608.** Mr Brenton reported on 10 March that “a commercial contact” had passed the British Embassy Washington a version of a USAID invitation to select US companies to bid for a US\$600m contract for infrastructure reconstruction.<sup>355</sup> USAID had confirmed that it had issued the invitation on 12 February with a closing date of 27 February. Mr Brenton had pressed for more transparency.

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<sup>352</sup> Email Allan to Warren, 27 February 2003, ‘Iraq: TPUK Position in US Office of Reconstruction and Humanitarian Assistance (ORHA)’.

<sup>353</sup> Email BTI [junior official] to Henderson, 13 June 2003, ‘End of assignment to OCPA and replacement planning’.

<sup>354</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>355</sup> Telegram 320 Washington to FCO London, 10 March 2003, ‘Iraq Day After: Infrastructure Reconstruction Contracts’.

**609.** Mr Brenton also reported that it was not clear how that USAID contract related to a separate contract “allegedly being let by the US Army Corps of Engineers” and reported in the UK press on 9 March.

**610.** On 11 March, “with the agreement of Ministers”, Mr David Warren, TPUK Director International Group, hosted a meeting with representatives of a number of UK companies to discuss possible post-conflict reconstruction opportunities in Iraq.<sup>356</sup> He reported to Baroness Symons the following day that it had been a useful opportunity to emphasise that UK policy was to secure Iraq’s disarmament. The group’s main concern had been that the US was moving ahead quickly on reconstruction and UK companies would be frozen out.

**611.** At Prime Minister’s Questions on 12 March, Dr Vincent Cable asked whether Mr Blair was aware that the US Government had “pointedly excluded British and foreign firms” from bidding for US contracts.<sup>357</sup> Mr Blair rejected Dr Cable’s charge that Mr Bush regarded international co-operation with contempt.

**612.** Mr Mike O’Brien, FCO Minister of State, visited Washington on 13 March, to discuss post-conflict issues with US interlocutors.<sup>358</sup>

**613.** A senior official from the US National Security Council (NSC) briefed Mr O’Brien on US plans for the oil sector.<sup>359</sup> In that context, Mr O’Brien emphasised the importance that the UK Government attached to UK companies having “a fair crack of the whip” in competing for contracts. He accepted that it was reasonable for US companies to be the recipients of US money for emergency contracts, but the field should be opened up “once Iraqi money came on stream”. The NSC official agreed, and said that it would not be US policy to restrict oil sector contracts to US companies.

**614.** Mr O’Brien also called on Mr Andrew Natsios, USAID Administrator.<sup>360</sup> Mr Natsios advised that, for security reasons, USAID had invited only a few US companies with the necessary clearances to bid for the 17 primary reconstruction contracts. There were no such constraints on subcontracts, and he hoped that UK companies and non-governmental organisations (NGOs) with the right expertise would be successful in securing those contracts.

**615.** In response to a question from Mr O’Brien, Mr Natsios said that it would be possible for UK companies to acquire the necessary security clearances to bid for primary contracts. Mr O’Brien agreed to send Mr Natsios a list of “trustworthy” UK companies.

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<sup>356</sup> Minute Warren to PS/Symons, 12 March 2003, ‘Iraq contingency planning: record of meeting with UK companies.

<sup>357</sup> House of Commons, *Official Report*, 12 March 2003, column 287.

<sup>358</sup> Telegram 341 Washington to FCO London, 13 March 2003, ‘Iraq Day After: Mr O’Brien’s Visit’.

<sup>359</sup> Letter Gooderham to Chilcott, 13 March 2003, Iraq: Day After: The Oil Sector’.

<sup>360</sup> Telegram 341 Washington to FCO London, 13 March 2003, ‘Iraq Day After: Mr O’Brien’s Visit’.

**616.** On 14 March, Mr Straw marked Baroness Symons' letter to Mr Simon McDonald, his Principal Private Secretary, with the comment:

“This is really important. Please make sure it is factored into Mike O'Brien's discussions and that a senior official ... takes a personal lead on this.”<sup>361</sup>

**617.** Later that day, Mr McDonald instructed Mr Chilcott that Baroness Symons' concerns should be factored into the IPU's follow up to Mr O'Brien's discussions in Washington.<sup>362</sup>

**618.** A No.10 official sent Mr Blair a note on reconstruction contracts on 15 March, at his request.<sup>363</sup> The note reported the conclusions of Mr O'Brien's meeting with Mr Natsios on 13 March.

**619.** Ms Hewitt spoke to Mr Natsios by telephone the following week, to lobby for UK companies.<sup>364</sup>

**620.** The Coalition began military action against Iraq on the night of 19-20 March 2003.

### **Influencing the Coalition Provisional Authority and the US**

**621.** Mr Antony Phillipson, Counsellor (Trade and Transport) at the British Embassy Washington, summarised the effect of recent UK lobbying of the US in a report to Mr Allan on 24 March.<sup>365</sup> Mr Natsios had told both Mr O'Brien and Ms Hewitt that UK companies would have the opportunity to bid for subcontracts, that USAID would sponsor UK companies to secure the necessary security clearances, and that UK bids for subcontracts would be welcomed. UK companies could not bid for primary contracts.

**622.** Mr Phillipson reported that he had followed up those discussions with a meeting with a USAID official, who:

“... reiterated the assurances that ... Natsios had given that the UK will get a bite at the cherry when the subcontracts came up. The US prime [contractor] would be instructed to this effect and [the USAID official] could not be more blunt than to say that 'the fix is in'.”

**623.** ORHA would undertake the detailed assessments of the subcontracts; it had also been told of the need to include the UK in the process.

**624.** Mr Phillipson advised that the next step was to translate that “political assurance” into practice. The “Buy America” provisions and the inclusion of a list of US standards and specifications in the USAID “mother contract” were a cause for concern. The best

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<sup>361</sup> Manuscript comment Straw, 14 March 2003, on Minute Symons to Straw and Hewitt, [undated], 'Iraq: Commercial Aspects'.

<sup>362</sup> Minute McDonald to Chilcott, 14 March 2003, 'Iraq: Commercial Aspects'.

<sup>363</sup> Minute Cannon to Prime Minister, 15 March 2003, 'Iraq: Reconstruction Contracts'.

<sup>364</sup> *Observer*, 23 March 2003, *Hewitt begs US for Iraq deals*.

<sup>365</sup> Minute Phillipson to Allan, 24 March 2003, 'Iraq: Contracts'.

approach would be for the Embassy and UK companies to focus on establishing links with the US prime contractor (rather than continuing to lobby USAID).

**625.** Mr Allan informed senior TPUK colleagues on 4 April that the BTI official seconded to ORHA:

“... has a full role to play in the Office of Reconstruction and Humanitarian Assistance ... However, his immediate priorities for us remain the identification of opportunities for UK companies; bringing UK expertise to the attention of ORHA; and identifying key contacts for UK companies. [He] has started to identify openings (e.g. oil and gas; airports).”<sup>366</sup>

**626.** The IPU briefing for Mr Blair in advance of his 8 April meeting with President Bush at Hillsborough advised:

“We need to be able to demonstrate that UK company interests continue to be raised at high levels. It would be helpful to say that UK companies remain keen to work alongside US companies ... UK companies have vast experience and knowledge of doing business in the Middle East and have a great deal to offer.”<sup>367</sup>

**627.** The record of the Hillsborough meeting does not show any exchange on that issue.<sup>368</sup>

**628.** Baroness Symons met representatives of UK companies on 8 April to discuss commercial opportunities in Iraq.<sup>369</sup> A TPUK official reported that she had made it clear that the UK was “not in this conflict for business opportunities”, but that UK companies had a great deal of expertise and knowledge to offer and should be involved in the redevelopment of Iraq.

**629.** The official reported that UK companies had raised a number of issues, including:

- DFID should provide more information on its requirements, and should not overlook UK companies;
- DFID should ring-fence reconstruction funds for UK companies, given the unique circumstances;
- the legality of working in Iraq without a UN mandate; and
- whether the requirement to meet US standards would prevent UK companies from securing subcontracts.

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<sup>366</sup> Email Allan to Henderson, 4 April 2003, ‘Iraq: Role of Sector Teams in Supporting [junior official] and Post-Conflict Sector Activity’.

<sup>367</sup> Letter Owen to Rycroft, 7 April 2003, ‘Hillsborough: Iraq’ attaching Paper IPU, 6 April 2003, ‘Iraq: Phase IV: authorising UNSCR’.

<sup>368</sup> Letter Rycroft to McDonald, 8 April 2003, ‘Iraq: Prime Minister’s meeting with Bush, 7-8 April’.

<sup>369</sup> Minute Allan to PS/Baroness Symons, 8 April 2003, ‘Iraq: record of meeting with UK companies’.



**630.** Ms Hewitt reported those concerns to the first meeting of the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR) on 10 April.<sup>370</sup> She said that she had turned down the proposal that there should be a UK reconstruction fund for the exclusive use of UK companies. There were worrying signs that the US was setting technical standards which only US firms could meet.

**631.** Ms Hewitt wrote to Mr Blair on the issue of technical standards in USAID contracts on 15 April.<sup>371</sup>

**632.** The Inquiry has seen no indication that Ms Hewitt received a reply, or that Mr Blair saw the letter.

**633.** On 16 April, the US Government established the Iraq Relief and Reconstruction Fund (IRRF) and provided US\$2.475bn to fund humanitarian relief and reconstruction activities.<sup>372</sup> USAID received just over 70 percent of those funds.

**634.** The following day, USAID announced that it had awarded its main infrastructure reconstruction contract, worth up to US\$680m, to Bechtel International.<sup>373</sup>

**635.** TPUK hosted the first meeting of the Iraq Industry Working Group (IIWG) on 24 April.<sup>374</sup> TPUK intended that the IIWG would act as a channel of communication between the UK Government and industry, to support the Government's efforts to help UK companies access commercial opportunities in Iraq.

**636.** In July 2003, the IIWG established six sector working groups: power, water, oil and gas, health, education and telecommunications.<sup>375</sup>

**637.** Baroness Symons visited Washington on 16 May, accompanied by representatives of the IIWG, the BCCB and the Confederation of British Industry (CBI), to discuss the participation of UK companies in Iraq's reconstruction with the US Government and Bechtel.<sup>376</sup>

**638.** Baroness Symons wrote to Mr Straw and Ms Hewitt on 19 May, reporting that she had been repeatedly assured of US enthusiasm for granting subcontracts to UK companies.

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<sup>370</sup> Minutes, 10 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>371</sup> Letter Hewitt to Prime Minister, 15 April 2003, 'Iraq Reconstruction: Standards Issues'.

<sup>372</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>373</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>374</sup> Paper TPUK, 6 May 2003, 'Annex G: Iraq: Progress on Commercial Opportunities'.

<sup>375</sup> Minute Warren to TPUK [junior official], 30 July 2003, 'Iraq Sector Approach'.

<sup>376</sup> Letter Symons to Straw, 19 May 2003, 'British Construction/Humanitarian Help in Iraq'.

**639.** Mr Straw and Ms Hewitt wrote to Mr Blair on 22 May, reflecting on Baroness Symons' visit:

“Our main objective has been to create a favourable political atmosphere in which UK companies can position themselves to bid for subcontract work from these initial US-funded projects.

“However, we understand that as yet only 180 of the 3,500 companies which have registered with Bechtel as potential subcontractors ... are British. A share in the commercial effort proportionate to our contributions to the military campaign will require a higher level of commitment on the part of UK firms if they are not to be squeezed out by international competition. We could also try to secure firmer political guarantees from the US, and aim for a more co-ordinated HMG approach (e.g. involving ECGD, DFID and MOD ...).

“The feedback on the action we have taken so far from UK business and organisations such as the BCCB and the CBI has been positive. We have created the conditions in which UK companies can pursue business in a favourable climate, and contracts for British companies are now coming through. This is encouraging. But it is for the companies themselves to take advantage of these favourable conditions ...”<sup>377</sup>

**640.** The Inquiry has seen no indications that Mr Straw and Ms Hewitt received a reply, or that Mr Blair saw their letter.

**641.** On 23 May, TPUK and the US Embassy London held a joint seminar on US-funded reconstruction contracts for Iraq.<sup>378</sup> The event was attended by representatives of 250 companies “located in Britain”.

**642.** On 29 May, the UK Deputy to Ambassador Ole Olsen, the Danish Head of ORHA (South), reported to Baroness Symons' Private Secretary that some ORHA(South) secondees were, in addition to their ORHA work, “scouting around” for commercial opportunities for their parent companies.<sup>379</sup> The UK Deputy commented that UK secondees should be doing the same.

**643.** Baroness Symons' Private Secretary passed the record of the conversation to Mr Henderson, and advised that Baroness Symons was keen to “make the most” of this opportunity and would welcome advice on “how best this might be done”.

**644.** Mr Allan responded later that day, advising that the BTI official seconded to ORHA in March (and now based in Baghdad) was already “playing the sort of role” proposed

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<sup>377</sup> Letter Straw and Hewitt to Blair, 22 May 2003, ‘Iraq: Commercial Opportunities and UK Companies’.

<sup>378</sup> Trade Partners UK, Press Release, 23 May 2003, *Meeting on redevelopment of Iraq sponsored by Trade Partners UK and the US Embassy*.

<sup>379</sup> Email UK [junior official] to Henderson, 30 May 2003, ‘Basra Commercial Opportunities’.

by the UK Deputy.<sup>380</sup> TPUK would consider the possibility of seconding individuals from UK companies to ORHA.

**645.** The UK Deputy reported her first impressions of ORHA(South) to Mr Chilcott on 1 June (see Section 10.1).<sup>381</sup> She advised that Denmark was keen to capitalise commercially from its leading role in the South (although Ambassador Olsen was at pains to distance himself from that effort). Many of the Danish staff in ORHA(South) were sponsored by private companies. Although they had agreed not to pursue commercial opportunities while working in ORHA, they were focusing their attention and expertise in areas which might offer commercial opportunities. She concluded that “the Danish model is an excellent one and something we should copy”. It provided ORHA with the managers it needed, stimulated the local commercial sector, and could help UK business.

**646.** The UK Deputy reported that she had re-tasked a UK secondee to ORHA(South) to “take on the trade portfolio including, more surreptitiously, a watching UK trade brief”.

**647.** Mr Blair visited Basra and Umm Qasr on 29 May. The visit prompted Mr Blair to direct Whitehall to go back to a “war footing” to avoid “losing the peace in Iraq” (see Section 10.1).

**648.** On his return from Iraq, Mr Blair sent a personal Note to President Bush containing specific suggestions on how to accelerate progress in delivering visible improvements in Iraq, including: “Bechtel needs to move far more quickly in letting contracts for infrastructure reconstruction – patching up won’t do.”<sup>382</sup>

**649.** Mr Blair chaired a meeting on Iraq on 3 June attended by Mr Hoon, Baroness Amos (the International Development Secretary), Sir Michael Jay (FCO Permanent Under Secretary) and No.10 officials.<sup>383</sup> Mr Blair said he had returned from Iraq convinced that “an enormous amount needed to be done”, including that:

- Coalition Provisional Authority (CPA) and US decision-making processes were too slow: contracts needed to be processed faster; and
- UK companies needed to be energised to take up opportunities in Iraq.

**650.** Following the meeting, a No.10 official commissioned a number of papers for a further meeting to be chaired by Mr Blair on 6 June. Those included a list of 10-15 outstanding practical issues for Mr Blair to raise with President Bush that would “make a big difference to the people of Iraq if they are resolved”.

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<sup>380</sup> Email Allan to Chatterton Dickson, 30 May 2003, ‘Basra Commercial Opportunities’.

<sup>381</sup> Minute UK [junior official] to Chilcott, 1 June 2003, ‘ORHA South – First Impressions’.

<sup>382</sup> Letter Manning to McDonald, 2 June 2003, ‘Iraq: Prime Minister’s Note’ attaching ‘Note’.

<sup>383</sup> Letter Cannon to McDonald, 3 June 2003, ‘Iraq: Prime Minister’s meeting, 3 June’.

**651.** That list was produced by the IPU on 5 June and sent to Mr Blair the same day under a covering minute from Mr Straw.<sup>384</sup> The IPU list identified as a priority:

**“Baghdad needs an extra 400 MW of power capacity now. Siemens UK can put in 170 MW in a few weeks – all they need is a letter of intent. This seems to be stuck in Washington.”**

**652.** Mr Straw highlighted that issue in his covering minute to Mr Blair, stating that Ms Hewitt was keen for Mr Blair to lobby President Bush on behalf of Siemens UK, whose bid had been stalled in Washington “by counter-lobbying from GE [General Electric]”.<sup>385</sup>

**653.** On the same day, Mr Straw sent a separate and personal letter to Mr Blair, asking him to raise a number of points “very forcefully” with President Bush.<sup>386</sup> Those included:

**“Contracts: As you know, the US are completely ruthless on favouring US companies, and will not help UK companies unless you play hardball with Bush.”**

Mr Straw offered as an example of this behaviour a Bechtel subcontract for electricity systems. Siemens UK had almost secured that contract, when it had “gone cold”.

**654.** Mr Blair held a further meeting on Iraq on 6 June, to agree the points to put to President Bush.<sup>387</sup> The meeting agreed a number of key messages and actions, including that Ms Hewitt should try to visit Iraq to promote the involvement of UK business.

**655.** Mr Blair spoke to President Bush later that day.<sup>388</sup> Mr Blair raised delays in Bechtel’s operations, including unnecessary delays in agreeing a contract for Siemens UK. The US was chasing Bechtel.

**656.** Ms Hewitt visited Iraq on 9 July, to ensure that British business expertise was not overlooked in the reconstruction effort and to ensure that Iraqi women were being properly involved in the political process.<sup>389</sup>

**657.** Ms Hewitt reported to Mr Blair on 11 July that she had raised with Ambassador Paul Bremer, the Head of the CPA, the UK’s concern about the way proposals for subcontract work from Siemens UK and Balfour Beatty were being handled by Bechtel. Ambassador Bremer had undertaken to look into the issue.

**658.** During the visit, Ms Hewitt was joined by an IIWG “scoping mission” for discussions with senior Iraqi officials and US members of the CPA’s economics team. Ms Hewitt

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<sup>384</sup> Letter Owen to Rycroft, 5 June 2003, ‘Iraq: Reconstruction Priorities’ attaching Paper IPU, 5 June 2003, ‘Iraq Reconstruction: 30 Day Priorities, 5 July 2003’.

<sup>385</sup> Minute Straw to Blair, 5 June 2003, ‘Iraq: Winning the Peace’.

<sup>386</sup> Minute Straw to Blair, 5 June 2003, ‘Iraq’.

<sup>387</sup> Letter Cannon to McDonald, 6 June 2003, ‘Iraq: Prime Minister’s Meeting 6th June’.

<sup>388</sup> Letter Cannon to McDonald, 6 June 2003, ‘Iraq: Prime Minister’s Conversation with Bush, 6 June’.

<sup>389</sup> Minute Hewitt to Prime Minister, 11 July 2003, ‘Report of my Visit to Baghdad’.

reported that with CPA officials, the group had discussed “the need to get a procurement expert into the CPA quickly (not least to ensure not all contracts go to US firms)”.

**659.** TPUK seconded a procurement officer to the CPA in August:

“... to ensure that DFI [Development Fund for Iraq] and Iraqi Ministry procurement meets international procurement standards. Our aim is to create a level playing field for UK companies in the DFI, then help to give them a competitive advantage through support and advice from TPUK.”<sup>390</sup>

**660.** On 10 and 11 August, Basra experienced severe rioting.<sup>391</sup> Section 10.1 describes the UK’s assessment of the causes of that disturbance, and its response.

**661.** Representatives of Siemens’ Washington office met officials from the British Embassy Washington on 14 August.<sup>392</sup> The Embassy reported to the DTI:

“Siemens report a favourable change in CPA attitudes to their participation in the power sector, which they attribute to HMG teamwork on their behalf in London, Baghdad and Washington. The crisis in Basra over fuel and electricity may also have tipped the balance in their favour.”

**662.** Mr Gregor Lusty, Head of the DTI’s Iraq Unit, commented to DTI colleagues on that report:

“Siemens has turned out to be quite a success story after all. A good indication of the level of political support which may be needed to unblock the US system, and the level of determination to get business success in Iraq.”<sup>393</sup>

**663.** On 14 August, Mr Blair appointed Mr Brian Wilson as his Special Representative on Trade Opportunities for British Business.<sup>394</sup> Mr Wilson’s remit was to:

- support BTI in identifying and developing opportunities for British business to help rebuild the infrastructure of Iraq and Afghanistan; and
- support BTI’s work in helping British business to invest in the energy sector.

**664.** Mr Wilson had previously been the Minister for Energy and Construction.

**665.** Mr Wilson met Sir Stephen Brown, TPUK Chief Executive, and senior TPUK officials on 4 September to discuss the practicalities of the appointment.<sup>395</sup> They agreed that the priority “was clearly Iraq”, where Mr Blair had asked departments to raise their game.

<sup>390</sup> Paper TPUK, 3 September 2003, ‘Iraq Action Plan’.

<sup>391</sup> Telegram 114 IraqRep to FCO London, 12 August 2003, ‘Situation in Basra’.

<sup>392</sup> Telegram 3 Washington to DTI London, 15 August 2003, ‘British Commercial Interests in Iraq: Follow-up’.

<sup>393</sup> Email Lusty to TPUK [junior official], 19 August 2003, ‘British Commercial Interests in Iraq: Follow-up’.

<sup>394</sup> *PA News*, 14 August 2003, *Special Representative for British business abroad*.

<sup>395</sup> Email Tibber to Gallagher, 5 September 2003, ‘Brian Wilson’.

**666.** President Bush announced on 7 September that he had asked Congress for a further US\$20.3bn to support Iraq's reconstruction.<sup>396</sup>

**667.** Mr Lusty advised TPUK colleagues on 12 September that, following President Bush's announcement that the US would provide further funding for Iraq's reconstruction, establishing a TPUK office in Baghdad was:

“... not so much timely as a critical necessity. Without a dedicated commercial presence on the ground we will continue to miss out on ensuring that the UK private sector plays the role it is capable of to reconstruct Iraq.”<sup>397</sup>

**668.** Mr Lusty reported that the British Office in Baghdad had recently secured additional space in the Green Zone in Baghdad, which could accommodate a commercial office. The “concept” was that the commercial office would initially be staffed by two members of TPUK staff and two consultants from AMEC plc in a “public/private partnership”.

**669.** TPUK deployed three Commercial Officers to Baghdad during September.<sup>398</sup> A secondee from AMEC, to provide advice on infrastructure, followed in November.

**670.** The AMEC secondee deployed under the Short-Term Business Attachment programme, which included a conflict of interests clause in the contract.<sup>399</sup>

**671.** Those were the first Commercial Officers to deploy to Iraq after the invasion. A June 2004 briefing advised that the FCO had reneged on a pre-invasion agreement that there would be a Commercial Officer among the initial deployment of UK officials to Baghdad.<sup>400</sup>

**672.** TPUK deployed a Commercial Officer to Kuwait to cover Basra and southern Iraq in January 2004.

**673.** The Annotated Agenda for the 18 September meeting of the AHMGIR advised Ministers that the US had decided to establish a Program Management Office (PMO) to oversee CPA reconstruction funds.<sup>401</sup> The decision was a response to the persistent problems in transferring funds from CPA(Baghdad) and CPA regional offices. However:

“Our initial response is sceptical: the PMO will manage predominantly US funds, which will require US contracting and procurement procedures to be followed. The prospect of developing Iraqi capacity, and of opening up contracts to include UK

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<sup>396</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>397</sup> Minute Lusty to Henderson, 12 September 2003, ‘Baghdad: TPUK Presence’.

<sup>398</sup> Briefing UKTI, 7 June 2004, ‘Permanent Secretaries’ Meeting on UK Civilian Staffing in Iraq, 8 June 2004’.

<sup>399</sup> Briefing UKTI, 25 November 2003, ‘Mr O’Brien’s Meeting with AMEC’.

<sup>400</sup> Briefing UKTI, 7 June 2004, ‘Permanent Secretaries’ Meeting on UK Civilian Staffing in Iraq, 8 June 2004’.

<sup>401</sup> Annotated Agenda, 18 September 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

companies (in the interests of effectiveness and value for money) remains negligible. Nevertheless, without participating in some form in the PMO, we may lose a point of influence.”

**674.** Mr Lusty provided advice to Mr O’Brien on 25 September on how TPUK would ensure that procurement for Iraq’s reconstruction was transparent and created a level playing field for UK companies.<sup>402</sup> Mr Lusty advised that, although the CPA’s procurement rules were “generally fair”, UK business remained concerned about the lack of transparency and that the dominance of US personnel in the CPA resulted in a bias towards US contractors.

**675.** Mr Lusty continued:

“It has been clear from our contacts with the Americans at all levels that there will be no special favours for British business in bidding for reconstruction work in Iraq. We have made it clear to UK firms that there is no inside track ...

“To maximise UK business involvement in Iraq reconstruction, we must ensure a level playing field for international businesses bidding for reconstruction work from the CPA and from the US Government; and give British business a competitive advantage through our [TPUK’s] own bilateral trade promotion efforts.”

**676.** To achieve that, TPUK was:

- “Sending a ... procurement expert back to the CPA asap.” The BTI official seconded to ORHA/CPA in March (who had left at the end of June) had focused on improving procurement by the Iraqi Ministries; President Bush’s announcement of further, substantial funding for Iraq’s reconstruction and the creation of the PMO had shifted the priority back to the CPA.
- Identifying public and private sector secondees for the PMO, in response to a request from Rear Admiral (retired) David Nash, the Director of the PMO.

**677.** Mr Lusty recommended that Mr O’Brien press the US for greater transparency in procurement by the CPA and the US Government (especially the Department of Defense).

**678.** The UK Government seconded two consultants to the PMO; the first arrived in March 2004.

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<sup>402</sup> Minute Lusty to PS/Mr O’Brien, 25 September 2003, ‘Iraq Reconstruction: UK Company Involvement’.

**679.** TPUK sent Mr Blair an update on commercial issues in Iraq on 10 October.<sup>403</sup> TPUK's strategy was:

“... to position UK firms ... through the provision of information about contracts, procurement issues, etc, and to press the US authorities (and the CPA) to ensure a level playing field on which UK companies can compete.”

**680.** TPUK advised that the US had made it clear that while they welcomed the participation of UK companies, there was no “special deal”.

**681.** TPUK's major concern was the lack of openness in the CPA's tendering and procurement procedures, which might result in a bias towards US companies. TPUK was lobbying on this issue in Baghdad and Washington, and had funded a procurement consultant in the CPA Ministry of Finance “to make procurement more transparent and ensure that UK firms were on the CPA's bidding lists”. It would also fund secondments to the PMO.

**682.** The TPUK paper considered oil and gas contracts separately from other reconstruction contracts; oil and gas contracts are addressed earlier in this Section.

**683.** TPUK reported that UK firms were doing “quite well”, given that most of the work so far had been US-funded. An analysis of Bechtel's subcontracts showed that Iraqi firms had won 36 percent, US firms 28 percent and UK firms 16 percent. UK firms had also won major contracts in other areas.

**684.** British Trade International was subsequently renamed UK Trade and Investment (UKTI) and the Trade Partners UK (TPUK) identity fell out of use.

**685.** Congress approved the CPA's request for additional funds on 6 November, allocating US\$18.4bn to the Iraq Relief and Reconstruction Fund (IRRF2).<sup>404</sup>

**686.** *Hard Lessons* recorded that, at that time, the PMO comprised only Adm Nash, two US Government officials, and 13 contractors.<sup>405</sup>

**687.** In December, Mr David Warren, Director of the UKTI's International Trade Division, provided a review of UKTI's experience of promoting UK business for Mr Stephen Haddrill, Director-General of the UKTI's Fair Markets Group:

“It took time, initially, to persuade Ministers that this [promoting UK commercial interests] was a legitimate objective that the Government should be seen to be promoting actively, rather than by default ...

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<sup>403</sup> Letter Zimmer to Rycroft, 10 October 2003, ‘Iraq: Update on Commercial Issues’ attaching Paper UKTI, 10 October 2003, ‘Iraq: Update on Commercial Issues’.

<sup>404</sup> Emergency Wartime Supplemental Appropriations Act, 2003.

<sup>405</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.



“The inter-departmental structures to handle reconstruction issues ... allowed UK Trade and Investment to register this interest. But the departments responsible for overseeing this co-ordination made clear at an early stage that UK commercial interests were a lower priority than other aspects of reconstruction. The result ... was that the contribution that the private sector could make to post-conflict reconstruction was less well registered. This contrasts with the US use of the private sector at the planning stage.”<sup>406</sup>

**688.** Mr Warren also advised that DFID’s concentration on international competitive tendering and the ECGD’s “understandable” reluctance to offer cover had further inhibited a “proactive and joined-up approach”. Co-operation with DFID at a working level had been “reasonable”.

**689.** The result had been that promoting UK companies was seen solely as the responsibility of UKTI.

**690.** Mr Warren concluded that the interests of the private sector had not been a high enough priority for the Government, and that the potential contribution to reconstruction that could have been made by private sector had not been recognised by the Government. UKTI activities had nevertheless resulted in “a reasonable amount” of business for UK companies.

**691.** UK Government lobbying on behalf of UK business intensified in early 2004, in anticipation of contracts that would flow from IRRF2 and against a background of growing press and Parliamentary criticism that UK companies were at a disadvantage in bidding for US-funded contracts.

**692.** CPA officials briefed UK private sector representatives on the CPA’s objectives and requirements at a conference in London on 21 November.<sup>407</sup>

**693.** On 5 December, the US announced that companies from the US, Iraq, “Coalition partners and force-contributing nations” were eligible to bid for prime contracts under IRRF2.<sup>408</sup> Prime contracts under IRRF1 had been open to US companies only.

**694.** In mid-December, the US Department of Defense invited bids for 12 major IRRF2 design and build construction contracts and six reconstruction management contracts.<sup>409</sup>

**695.** USACE awarded two design and build construction contracts in the oil sector on 16 January 2004 (the first contracts awarded under IRRF2).<sup>410</sup> The contracts were won by a US company (KBR, for the southern oilfields) and a joint US/Australian venture (for the northern oilfields). Bids submitted by three UK companies were unsuccessful.

<sup>406</sup> Minute Warren to Haddrill, 10 December 2003, ‘Post-Conflict Resolution: Iraq’.

<sup>407</sup> Annotated Agenda, 27 November 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>408</sup> Paper Wolfowitz, 5 December 2003, ‘Determination and Findings’.

<sup>409</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>410</sup> Briefing DTI, [undated], ‘Key Points Brief on DTI Issues: Ad Hoc Ministerial Meeting on Iraq’.

**696.** In response, Sir Nigel Sheinwald, Mr Blair's Foreign Policy Adviser, commissioned a paper on UK access to US-funded reconstruction contracts for the 22 January meeting of the AHMGIR.<sup>411</sup>

**697.** The 20 January meeting of ISOG concluded that, in contrast to the UK's success in 2003, the UK's "current record" on winning US contracts was not good.<sup>412</sup> The ISOG agreed that the UK needed a "proper campaign plan" involving Ministers and the British Embassy Washington, targeting the next tranche of US-funded contracts that would be awarded by the PMO in March.

**698.** UKTI submitted a draft paper on UK access to US-funded reconstruction contracts to the 22 January meeting of the AHMGIR.<sup>413</sup>

**699.** The draft paper stated that UK companies had good access to most US-funded contracts, but had achieved only limited success so far. US procurement rules were complex; several UK companies had formed joint ventures with US companies to overcome that barrier. The recent award of the US-funded oil contracts to US companies (bids with significant UK components had not been successful, despite lobbying by Ministers) suggested that the UK needed to take a "stronger and more active political line" in Washington to lobby for UK commercial interests.

**700.** The draft paper stated that while the British Embassy Washington conceded that UK lobbying had not been successful, the Embassy was not convinced that the UK had yet reached the stage where "high level political pressure" was appropriate.

**701.** The draft paper concluded that, as a first step, the Government should take the line that UK companies had expertise and capacity in areas needed for Iraq's reconstruction, and that the Government wanted to see a significant UK component in the PMO's prime contracts. DTI and FCO Ministers should lead the UK's lobbying. The UK should consider targeted lobbying visits by Ministers to Washington closer to the announcement of the PMO contracts.

**702.** UKTI prepared a final version of the paper for the next meeting of the AHMGIR, on 12 February.

**703.** At Mr Straw's request, Sir Stephen Brown contacted the three unsuccessful UK companies for their views on the process.<sup>414</sup>

**704.** Sir Stephen reported to Mr O'Brien on 30 January that UK companies were unsurprised at the result; the scale and complexity of the work was such that "US giants"

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<sup>411</sup> Briefing DTI, [undated], 'Key Points Brief on DTI Issues: Ad Hoc Ministerial Meeting on Iraq'.

<sup>412</sup> Minutes, 20 January 2004, Iraq Senior Officials Group.

<sup>413</sup> Annotated Agenda, 21 January 2004, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting attaching Paper UKTI [draft], 20 January 2004, 'Access to US-funded Reconstruction Contracts'.

<sup>414</sup> Minute Brown to O'Brien, 30 January 2004, 'Iraq: Access to US Funded Reconstruction Contracts'.

were exceptionally well placed. The bidding process had been “fair but ... pedantic and complex”.

**705.** Mr O’Brien circulated a core script for a lobbying campaign targeting the US Government to Mr Straw, Ms Hewitt, Mr Paul Boateng, the Chief Secretary to the Treasury, Mr Hilary Benn, the International Development Secretary, and senior officials on 9 February.<sup>415</sup>

**706.** The core script highlighted the strengths of UK industry and expressed the hope that UK companies would be given the opportunity to display those strengths in the reconstruction process.

**707.** In his covering note, Mr O’Brien stated that although UK companies had not secured either of the oil sector contracts, they were winning other contracts, including from the US Government. UK companies assessed that US procurement procedures were “essentially fair” and were not critical of the UK Government’s support, but were convinced that there was a window of opportunity to press the US. It was now vital that UK Ministers ensured that their US interlocutors were “in no doubt about the political importance we attach to UK firms being seen to contribute actively to the reconstruction process”.

**708.** On 12 February, the AHMGIR received a final version of the UKTI paper on access to US-funded reconstruction contracts.<sup>416</sup> The paper stated that UK companies had good access to most US-funded contracts, and recommended that the UK Government should take a concerted approach to lobbying for US-funded contracts.

**709.** The final paper presented a significantly more positive picture of the UK’s experience of, and potential for, accessing US-funded contracts than the draft paper which had been prepared for the 22 January meeting of the AHMGIR.

**710.** Mr Straw wrote to US Secretary of State Colin Powell on 17 February, expressing the UK’s disappointment that UK companies had not secured either of the oil infrastructure rehabilitation contracts.<sup>417</sup> Mr Straw hoped that UK companies would play a significant role in Iraq’s reconstruction, and highlighting in general terms the capability of UK companies.

**711.** Sir Nigel Sheinwald wrote to Dr Rice on 19 February, in similar terms.<sup>418</sup>

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<sup>415</sup> Minute O’Brien to Foreign Secretary, 9 February 2004, [untitled] attaching Paper, [undated], ‘UK Bids for CPA Program Management Office Prime Contracts’.

<sup>416</sup> Annotated Agenda, 12 February 2004, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper UKTI, February 2004, ‘Access to US-Funded Reconstruction Contracts’.

<sup>417</sup> Letter Straw to Powell, 17 February 2004, [untitled].

<sup>418</sup> Letter Sheinwald to Rice, 19 February 2004, ‘Iraq: Contracts’.

**712.** Mr Wilson and Mr O'Brien made separate visits to Washington on 18 to 20 February and 20 February respectively, to lobby the US on behalf of UK companies bidding for the US-funded PMO contracts.<sup>419</sup>

**713.** Sir Nigel Sheinwald reported to Mr Blair on 21 February that Mr Wilson and Mr O'Brien had "conspicuously failed to de-conflict their programmes and insisted on seeing the same people".<sup>420</sup> Sir Nigel continued: "To make things worse, Brian Wilson's visit seems to have been organised, at least in part, by a private American lobbying organisation."

**714.** The Inquiry has seen no indications that Mr Blair responded to that report.

**715.** The British Embassy Washington reported on 23 February that Mr O'Brien and Mr Wilson had stressed with all their interlocutors that the UK was not alleging any unfair treatment of UK companies, but had pointed out that there would be "intense scrutiny" of the PMO contract awards and it would be "very difficult for us [the UK], politically, if we had no successes".<sup>421</sup>

**716.** The Embassy reported that, in response, US officials "on the technical side" (described by the Embassy as comprising the PMO, US Department of Defense, and USACE) had stressed that PMO contracts would be awarded on merit, with no scope for political interference. The "political response" (from the NSC, the CPA and the Department of State) had been "more nuanced", with a recognition of the political problem that the process could cause the UK.

**717.** The Embassy commented:

"The message from those on the technical side was not surprising, although given the way the process has gone so far it is hard to take at face value their insistence that they are immune to political pressure ... The response from the political contacts was as encouraging as we could hope for. They genuinely understand the problems that this could cause us."

**718.** Mr Henderson, who had accompanied Mr Wilson and Mr O'Brien to Washington, reported on the visits on the same day.<sup>422</sup> Copies of his report were sent to officials in UKTI, DTI, the FCO and No.10. The UK's "core message" had been to demonstrate strong UK Government support for the involvement of UK companies but stop short of

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<sup>419</sup> Telegram 4 Washington to UKTI London, 23 February 2004, Iraq Reconstruction: Lobbying the US'.

<sup>420</sup> Minute Sheinwald to Prime Minister, 21 February 2004, 'Visit to Washington, 20 February'.

<sup>421</sup> Telegram 4 Washington to UKTI London, 23 February 2004, Iraq Reconstruction: Lobbying the US'.

<sup>422</sup> Minute Henderson to Tibber, 23 February 2004, 'Iraq Reconstruction: Visits of Brian Wilson and Mike O'Brien to Washington 18 – 20 February'.

demanding a “fair share”. Mr Henderson commented that it remained to be seen whether the visits would make a difference:

“... my impression is that despite the insistence of the technocrats that the process was not subject to political influence or interference, it will be more difficult now for the collective US machinery involved to produce a result that did not give the UK companies a significant share of the action.”

**719.** Mr Henderson wrote to Sir Stephen Brown on 23 February, reporting that Mr O’Brien was “deeply unhappy” that Mr Wilson’s programme had included a number of political calls, which breached the guidelines (as Mr O’Brien understood them) that Mr O’Brien should concentrate on official contacts and Mr Wilson on the private sector.<sup>423</sup> Copies of the minute were sent to UKTI officials only.

**720.** Mr Henderson concluded:

“... it is clear that the arrangement is not working ... We run the risk of spending more time on this than on the core task of helping UK companies to win business.”

**721.** Mr Henderson also reported that the British Embassy had been “furious” at the activities of a public relations company contracted by AMEC, which had sought to organise Mr Wilson’s visit.

**722.** Sir David Manning, the British Ambassador in Washington, wrote to Sir Michael Jay on 3 March, detailing the Embassy’s concerns.<sup>424</sup> He highlighted two issues, both of which had caused significant problems for the Embassy:

- the lack of clarity regarding the roles of Mr O’Brien and Mr Wilson, and the lack of communication between their offices; and
- the relationship between Mr Wilson and AMEC, which appeared uncomfortably close, with a significant risk of serious embarrassment to the UK.

**723.** Sir David concluded that the roles of Mr Wilson and Mr O’Brien needed to be clearly defined, and the potential for a conflict of interest arising from Mr Wilson’s links to AMEC resolved.

**724.** ISOG discussed the opportunities for UK companies on 24 February.<sup>425</sup> Sir Nigel Sheinwald confirmed that Mr Blair was prepared to write or speak to President Bush on the issue.

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<sup>423</sup> Email Henderson to Brown, 23 February 2004, ‘Wilson and O’Brien Visits to Washington 18-20 February’.

<sup>424</sup> Letter Manning to Jay, 3 March 2004, [untitled].

<sup>425</sup> Letter Owen to Cannon, 25 February 2004, ‘Iraq Reconstruction Contracts’.

**725.** Mr Blair wrote to President Bush on 5 March, identifying some of the UK companies bidding for PMO contracts and highlighting in general terms the expertise of UK companies.<sup>426</sup>

**726.** The US Department of Defense awarded the major remaining IRRF2 contracts during March, comprising seven project management contracts and 10 design and build construction contracts.<sup>427</sup>

**727.** The Annotated Agenda for the 18 March meeting of the AHMGIR stated that, following a campaign of high-level lobbying, UK companies had “achieved success” in the latest round of US reconstruction contracting.<sup>428</sup> Three of the project management contracts, with a total value of up to US\$80m, had been awarded to consortia with a significant UK content, and two of the design and build construction contracts with a total value of up to US\$1.1bn had been awarded to consortia with a significant UK content. It was not possible at this stage to calculate the exact value to the UK of those contracts.

**728.** Ministers were advised on 2 April that consortia with significant UK content had secured three further design and build construction contracts.<sup>429</sup> The total value of the contracts was capped at US\$1.6bn.

**729.** Following Admiral Nash’s request for UK help in staffing the PMO, UKTI contracted two consultants to work in the PMO, initially for three months. The first deployed in early March 2004, the second in early April.<sup>430</sup>

**730.** A UKTI official told ISOG that:

“Their [the consultants] role would be one of intelligence, to enable UKTI to help UK companies frame their bids [for PMO contracts] ...”<sup>431</sup>

**731.** The security situation in Iraq deteriorated significantly in March and April, leading to the withdrawal of many aid agency personnel and contractors.

**732.** The FCO tightened its travel advice on 8 April to read: “Even the most essential travel to Iraq should be delayed, if possible.”<sup>432</sup> Companies involved in reconstruction were encouraged to “ensure that they have made the appropriate security arrangements”.

**733.** The UK company Foster Wheeler Energy Ltd, which had been contracted by the PMO to provide oil and gas project management services, informed the PMO on

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<sup>426</sup> Letter Blair to Bush, 5 March 2004, [untitled].

<sup>427</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>428</sup> Annotated Agenda, 17 March 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>429</sup> Letter Dodd to Owen, 2 April 2004, ‘Iraq: Update’ attaching Paper Cabinet Office, 2 April 2004, ‘Iraq: update’.

<sup>430</sup> Minute UKTI [junior official] to PS/O’Brien, 21 June 2004, [untitled].

<sup>431</sup> Minutes, 3 February 2004, Iraq Senior Officials Group meeting.

<sup>432</sup> FCO Travel Advice for Iraq, 8 April 2004.

14 April that it intended to postpone the deployment of its staff to Iraq, citing the 8 April FCO travel advice.<sup>433</sup>

**734.** Under its contract, Foster Wheeler had committed to deploy 34 staff to Baghdad by 21 April.<sup>434</sup>

**735.** In response, the PMO warned Foster Wheeler that postponement could lead to the termination of its contract.<sup>435</sup>

**736.** Mr David Richmond, the Prime Minister's Deputy Special Representative on Iraq, reported on 18 April on the challenges of "designing and executing post-conflict reconstruction in what effectively remains a conflict zone".<sup>436</sup> He advised that there was:

"Probably less activity on the ground than CPA are prepared to admit, as aid agencies and contractors withdraw personnel to safer areas pending decisions to re-engage. Main foreign contractors operating at 50 – 75 percent staffing levels. Some NGOs well below that."

**737.** Mr Richmond concluded that the UK needed to consider the advice it gave to UK development partners and contractors, and the divergence between UK and US advice. US contractors appeared to operate "as if their even stricter advice against coming to Iraq does not exist". The UK's travel advice gave the Embassy "no option but to counsel caution ... and to reinforce with [UK contractors] the importance of ensuring robust security arrangements". Foster Wheeler encapsulated the dilemma: "risk coming out or losing out." Mr Richmond advised that the UK should maintain its current line.

**738.** The Annotated Agenda for the 22 April meeting of the AHMGIR advised that security had deteriorated "markedly" over Easter (9 to 12 April) and that the risks to UK civilian staff in Iraq were high.<sup>437</sup> The deployment of civilians had been reviewed and, as a temporary measure, new deployments to Baghdad had been suspended and staff unable to operate in the current security environment had been withdrawn.

**739.** The British Embassy Baghdad informed UKTI on 3 May that, largely because of deteriorating security, there were "next to no" UK business visitors in Baghdad requiring UKTI assistance.<sup>438</sup>

**740.** In advance of the 6 May meeting of the AHMGIR, Mr O'Brien was advised by a DTI official that UKTI continued to try to "bridge the differences" between Foster Wheeler and

<sup>433</sup> Letter O'Connell to CPA/PMO, 14 April 2004, 'Oil Sector Program Management Contractor'.

<sup>434</sup> Minute Lusty to PS/O'Brien [FCO], 10 May 2004, 'Iraq: Foster Wheeler: Dealing with the Potential Fallout'.

<sup>435</sup> Letter CPA/PMO to O'Connell, 18 April 2004, 'Contract No. W914NS-04-C-0007'.

<sup>436</sup> Telegram 173 IraqRep to FCO London, 18 April 2004, 'Iraq: Effects of the Recent Crisis on Reconstruction'.

<sup>437</sup> Annotated Agenda, 21 April 2004, 'Ad Hoc Meeting on Iraq Rehabilitation meeting'.

<sup>438</sup> Email Allen to Lusty, 3 May 2004, 'Baghdad Commercial Staffing'.

the PMO.<sup>439</sup> Mr Straw was taking “a much more bullish line, and wants Foster Wheeler to deploy immediately”, but that would go beyond current UK travel advice and “play badly if leaked to the press”. The official concluded that the final decision must rest with Foster Wheeler.

**741.** The Annotated Agenda for the 6 May meeting of the AHMGIR advised that:

“If ... the [Foster Wheeler] contract is terminated the impact may go beyond the immediate loss of business and negatively affect the chances of other British companies winning US contracts in Iraq.”<sup>440</sup>

**742.** At the meeting, Sir Stephen Brown reported that Mr O’Brien had spoken to Foster Wheeler to emphasise the serious implications of its delayed deployment, including for other UK companies.<sup>441</sup>

**743.** Mr Lusty advised Mr O’Brien on 10 May that if talks between Foster Wheeler and the PMO broke down and Foster Wheeler sought UK Government support for its position, the Government should take the line that this was a contractual issue and not get drawn into a wider discussion on travel advice or the safety of foreign contractors in Iraq.<sup>442</sup>

**744.** Mr Lusty advised that the FCO’s travel advice was clear. The decision on whether to travel remained “a matter of personal or commercial judgement”. There was “no agreed position” within the Government on reconciling FCO travel advice with the need to pursue reconstruction. UKTI staff in Washington, Baghdad and the UK continued to work with Foster Wheeler to help it address its security concerns.

**745.** A UKTI official informed Mr O’Brien on 14 May that Foster Wheeler and the PMO had reached an agreement on deploying staff to Iraq.<sup>443</sup>

**746.** On 24 May, Mr Bob Morgan, an adviser to the Iraqi Oil Ministry employed by the FCO, and his bodyguard Mr Mark Carman, were killed in Baghdad.<sup>444</sup>

**747.** Mr O’Brien spoke to Mr Ian Bill, Chairman and CEO of Foster Wheeler, on 26 May.<sup>445</sup> Mr Bill said that although Foster Wheeler had deployed staff to Iraq, it remained concerned that security provided by the PMO was not adequate. One of its staff had already decided to leave as he was accommodated in a tent in the Green Zone with no protection from mortar rounds.

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<sup>439</sup> Briefing DTI Energy Markets Unit, 5 May 2004, ‘Key Points Brief on DTI Issues: Ad Hoc Ministerial Meeting on Iraq’.

<sup>440</sup> Annotated Agenda, 6 May 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>441</sup> Minutes, 6 May 2004, Ad Hoc Group on Iraq Rehabilitation meeting.

<sup>442</sup> Minute Lusty to PS/O’Brien [FCO], 10 May 2004, ‘Iraq: Foster-Wheeler: Dealing with the Potential Fallout’.

<sup>443</sup> Minute Lusty to PS/O’Brien, 14 May 2004, ‘Iraq: Foster Wheeler Reach Agreement with the PMO’.

<sup>444</sup> Minutes, 25 May 2004, Iraq Senior Officials Group meeting; *BBC News*, 26 May 2004, *Oil Expert Killed in Iraq ‘felt safe’*.

<sup>445</sup> Minute Lusty to PS/O’Brien, 26 May 2004, ‘Iraq: Foster-Wheeler’.



**748.** In a 7 June briefing, the UKTI advised that it had stopped “all proactive commercial work” in Iraq, although it remained heavily involved in providing information to UK companies and in helping them manage existing commitments.<sup>446</sup> UKTI planned to maintain one UK Commercial Officer post in Baghdad, which it considered the “minimal level for operational needs” (reduced from the three Commercial Officers deployed in September 2003).

**749.** Mr Lusty advised Sir Stephen Brown on 9 June that the IIWG had “run its course”.<sup>447</sup> Private sector participation was poor. The IIWG had originally been conceived as the core of an early UK trade mission to Iraq, but the security situation had made that impossible. It had served instead as a useful forum for briefing industry. That function had now been taken over by the six sector working groups.

**750.** In early June, UKTI began to consider whether to continue to fund the two consultants in the PMO.<sup>448</sup>

**751.** A UKTI official set out the arguments for Mr O’Brien on 21 June:

“We can claim indirect benefit to UK plc from these consultants, but it is difficult to quantify any direct commercial benefit. PMO procurement still (rightly) has to go through a full competitive process ... But these consultancies have earned us a great deal of goodwill from PMO senior management, ensured a UK voice at the highest levels of the organisation, and [have been] a useful but unacknowledged source of commercial information.”<sup>449</sup>

**752.** The PMO had identified a prime contractor that was willing to take over the contract of one of the UKTI-funded consultants. The contract of the second ended in September.

**753.** The official recommended that given the difficulty in identifying any direct commercial benefit to the UK and the high cost of the consultants, UKTI should not agree to Admiral Nash’s request to extend the consultants’ contracts.

**754.** Mr O’Brien’s Assistant Private Secretary responded on 23 June, asking officials to look for an alternative source of funding for the posts.<sup>450</sup>

**755.** Discussions within UKTI and between UKTI and the FCO and DFID failed to identify further funding for the posts.<sup>451</sup>

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<sup>446</sup> Briefing UKTI, 7 June 2004, ‘Permanent Secretaries’ Meeting on UK Civilian Staffing in Iraq, 8 June 2004’.

<sup>447</sup> Minute Lusty to Brown, 9 June 2004, ‘What should we do with the Iraq Industry Working Group?’

<sup>448</sup> Minute Lusty to Fletcher, 9 June 2004, ‘Iraq: UKTI Consultancy Support for the PMO’.

<sup>449</sup> Minute UKTI [junior official] to PS/Mr O’Brien, 21 June 2004, [untitled].

<sup>450</sup> Minute APS/O’Brien to UKTI [junior official], 23 June 2004, ‘UKTI Secondees to the PMO in Baghdad’.

<sup>451</sup> Minute UKTI [junior official] to PS/Mr O’Brien [FCO], 13 August 2004, ‘UK Secondees in the Project and Contracting Office (PCO) Baghdad’.

## THE SUCCESS OF UK COMPANIES IN SECURING CONTRACTS IN IRAQ

**756.** On 30 July, Mr Fergus Harradence, Head of the UKTI's Gulf Unit, provided an update for Mr O'Brien on UK commercial success in Iraq.<sup>452</sup>

**757.** Mr Harradence advised that there were over 60 UK companies working in Iraq, involved in contracts which UKTI estimated were worth a total of US\$2.6bn. That figure did not represent the total value of work undertaken and goods supplied by UK companies, but rather the total value of the contracts on which UK companies worked as contractors or subcontractors.

**758.** UK companies had been successful in winning contracts from all the major contracting organisations (the US, the CPA and Iraqi Ministries, the UN and DFID), although UK companies had been particularly successful in winning work as contractors or subcontractors to US Government agencies.

**759.** UKTI believed that it had played a "leading role" in helping UK companies to secure work on contracts worth approximately US\$1.8bn (of which AMEC had secured work on contracts worth US\$1.6bn).

**760.** At BP's request, on 30 August, during his introductory call on Mr Thamir Ghadban, the Iraqi Minister of Oil, Mr Chaplin raised BP's bid for a contract relating to the Rumalia oilfield.<sup>453</sup> Mr Ghadban responded that the contract would be awarded on technical and commercial criteria, and commented that BP appeared more cautious than other companies in turning expressions of interest into "real engagement". Mr Chaplin commented:

"This is not the first time we have heard criticism of excessive caution from BP (and to a lesser extent Shell). Rightly or wrongly, the perception amongst the Iraqi oil establishment is that they are less committed than many of their international competitors."

**761.** Sir Stephen Brown met senior UKTI officials on 5 November 2004 to discuss UKTI's future engagement on Iraq, on the basis of a paper produced by UKTI's Iraq Unit.<sup>454</sup>

**762.** The paper stated that private sector interest in Iraq had started at a "feverish level", but had declined after April 2004 when contractors started to be targeted by insurgents, and had now levelled off. Over 1,300 business people had attended UKTI events in London since August 2003 and over 200 had attended UKTI-supported events in the region. UKTI had organised trade missions from Iraq to the UK focusing on financial services, health, education, oil and gas, and power and water.

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<sup>452</sup> Minute Harradence to PS/O'Brien, 30 July 2004, 'Impact of UK Firms in Iraq'.

<sup>453</sup> Telegram 167 Baghdad to FCO London, 31 August 2004, 'Iraq: Introductory Call on Thamir Ghadban, Minister of Oil'.

<sup>454</sup> Minute Lusty to Fletcher, 5 November 2004, 'Iraq Unit' attaching Paper UKTI Iraq Unit, October 2004, 'Iraq: Next Steps'.

**763.** The paper stated that staffing in London had been reduced as the number of enquiries from companies had declined, and staffing overseas would be kept under constant review; UKTI needed to retain the flexibility to move quickly to support UK companies as security improved.

**764.** The slowdown in reconstruction in Iraq had severely hampered UKTI's ability "to play a useful role in the Whitehall process, and reduced our need to be involved".

**765.** The paper concluded:

"UK business is now a strong player in post-conflict Iraq. We have met high Ministerial and business expectations and avoided a US dominance ..."

**766.** Sir Stephen agreed the paper.<sup>455</sup>

### Responding to renewed commercial interest in Iraq, 2008

**767.** The UK Commercial Officer post in Basra was cut in 2006 because of the security situation and UKTI's desire to free up resources for emerging markets.<sup>456</sup>

**768.** The remaining UK Commercial Officer post in Baghdad was cut in July 2007.<sup>457</sup> A UKTI official commented:

"UKTI has retained a UK-based presence in Baghdad (and previously Basra) until now because of the political imperatives of doing so rather than on the basis of the normal criteria relating to business demand ... The on-going security situation raises serious questions about whether retaining the UK-based ... slot can be justified. The resource is also very expensive – some £560,000 in cash terms ... which could be deployed more productively in other markets."

**769.** From July 2007, the UK Commercial Section in the British Embassy Baghdad comprised one junior Iraqi Commercial Officer supported by a UKTI officer based in Amman, Jordan.<sup>458</sup>

**770.** Mr Gordon Brown succeeded Mr Tony Blair as Prime Minister in June 2007. Section 10.2 describes the development and implementation from July 2007 of Mr Brown's economic initiatives for Iraq, which included measures to facilitate private sector investment in Basra and across Iraq.

**771.** The British Embassy Baghdad reported to UKTI in September 2007 that the new arrangement (of one junior Iraqi Commercial Officer supported by UK staff based in Amman, Jordan) was not working.<sup>459</sup> The lack of a senior Commercial Officer meant that

<sup>455</sup> Minute Lusty to Fletcher, 5 November 2004, 'Iraq Unit' attaching Paper UKTI Iraq Unit, October 2004, 'Iraq: Next Steps'.

<sup>456</sup> Minute McInnes to PS/McCarthy, 20 June 2007, 'UKTI Resources in Baghdad'.

<sup>457</sup> Minute McInnes to PS/McCarthy, 20 June 2007, 'UKTI Resources in Baghdad'.

<sup>458</sup> Email Lodge to McInnes, 2 September 2007, 'Baghdad – Resourcing Commercial Work in Iraq'.

<sup>459</sup> Email Lodge to McInnes, 2 September 2007, 'Baghdad – Resourcing Commercial Work in Iraq'.

opportunities were being missed. The Embassy recommended that UKTI recruit a senior Iraqi Commercial Officer to head the commercial team in Baghdad.

**772.** Mr Douglas Alexander, the International Development Secretary, announced the appointment of Mr Michael Wareing as joint Chair of the Basra Development Commission (BDC) in December.<sup>460</sup> Mr Alexander described the BDC, which aimed to bring national, regional and international business knowledge together to provide strategic advice to the Iraqi authorities on investment and growth, as the “centrepiece” of Mr Brown’s economic initiatives.<sup>461</sup>

**773.** Mr Wareing told the Inquiry that he had three roles:

- to champion economic development, particularly in Basra and the South;
- to champion international investment into Iraq; and
- to help set up and to chair the BDC.<sup>462</sup>

**774.** Mr Wareing said that his role was not specifically to promote investment from the UK:

“... the line that I pursued was ... to try to push investment, not just from a British or indeed a European or even a Western ... point of view, but basically any investment – and there was a significant amount of investment from the Gulf region.”<sup>463</sup>

**775.** Mr Des Browne, the Defence Secretary, visited Iraq with Mr Wareing in mid-March.<sup>464</sup> Mr Browne reported to Mr Brown that: “The overall mood in Iraq is optimistic, reflecting the improved security situation, political progress and the new focus on economic regeneration to which Michael [Wareing] is contributing.” Mr Browne’s discussions with Iraqi Government Ministers had suggested several areas where the UK could do more, including:

- reinforcing the UK team in Basra and Baghdad to support Mr Wareing’s work; and
- redoubling the UK effort to unblock the investment and hydrocarbon legislation, and to encourage international business to invest in Basra.

**776.** Mr Brown hosted a reception at No.10 on 28 April 2008 to raise the profile of southern Iraq as an investment destination and to enhance Iraqi Government interaction with potential investors.<sup>465</sup>

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<sup>460</sup> Letter Jones to Aldred, 13 December 2007, ‘Basra: Situation Report’.

<sup>461</sup> Letter Alexander to Brown, 9 November 2007, [untitled].

<sup>462</sup> Public hearing, 16 July 2010, page 3.

<sup>463</sup> Public hearing, 16 July 2010, page 12.

<sup>464</sup> Letter Browne to Brown, 18 March 2008, ‘Visit to Iraq and Kuwait’.

<sup>465</sup> Minute Cabinet Office [junior official] to Prime Minister, 25 April 2008, ‘Basra Investors’ Reception, No.10: 28 April 2008’.

**777.** The Cabinet Office subsequently advised Mr Brown that between 25 and 30 companies had expressed a serious interest in exploring investment opportunities in Iraq.<sup>466</sup>

**778.** Mr Nick McInnes, Director of UKTI's International Group, briefed UKTI colleagues on 3 May 2008 on the growing pressure from the British Embassy Baghdad and the MOD for a larger UKTI presence in Baghdad.<sup>467</sup> Their arguments for that were:

- the increased interest in Iraq from UK companies;
- the likelihood that Mr Brown's economic initiatives would stimulate further interest; and
- the possibility of sales of UK military equipment to Iraq.

**779.** DFID advised members of the Iraq Strategy Group (ISG) on 8 May that several companies that had attended the reception had expressed an interest in visiting Iraq.<sup>468</sup> DFID was working with MOD to arrange this. DFID cautioned that there was still work to be done to secure the correct conditions for inwards investment, and such investment was unlikely to start flowing in the immediate future.

**780.** UKTI and DFID officials met on 21 May, at DFID's request, to discuss UKTI's interests in Iraq.<sup>469</sup> Mr Paul Taylor, Head of the UKTI's Middle East Department, reported to Mr Andrew Cahn, UKTI Chief Executive, that DFID had said it would be difficult for DFID to handle the "investment visits" which had emerged from Mr Brown's 28 April reception. DFID did not have the appropriate expertise and, more importantly, under the International Development Act, it could not favour UK companies by providing them with such support. DFID officials had asked UKTI to reinstate a UK Commercial Officer post in Baghdad. Mr Taylor had said that UKTI was highly unlikely to be able to find funding for such a post.

**781.** Mr Taylor reported to Mr Cahn on 2 July that a DFID proposal to fund a UK Commercial Officer post in Baghdad from the Stabilisation Aid Fund (SAF) had not proved viable.<sup>470</sup> The pressure remained on UKTI to increase its presence in Baghdad.

**782.** In response, Mr Cahn stated his strong opposition to reinstating a UK-based Commercial Officer post in Baghdad.<sup>471</sup>

**783.** The 11 September meeting of the ISG, chaired by Mr Simon McDonald, Mr Brown's Foreign Policy Adviser, discussed the need for a UKTI presence in Iraq.<sup>472</sup>

<sup>466</sup> Minute Cabinet Office [junior official] to Prime Minister, 30 April 2008, 'Iraq: Meeting with Petraeus and Crocker, 1 May 2008'.

<sup>467</sup> Email McInnes to Haird, 3 May 2008, 'Resourcing Commercial Work in Iraq'.

<sup>468</sup> Letter DFID [junior official] to Cabinet Office [junior official], 8 May 2008, 'Iraq Strategy Group, 28 April – Response to DFID Action Points'.

<sup>469</sup> Email Taylor to Cahn, 21 May 2008, 'UKTI and Iraq: Meeting with DFID – 21 May 2008'.

<sup>470</sup> Email Taylor to Cahn, 2 July 2008, 'Resourcing Trade and Investment Work in Iraq'.

<sup>471</sup> Email Cahn to Taylor, 4 July 2008, 'Resourcing Trade and Investment in Iraq'.

<sup>472</sup> Letter Lyon to McDonald, 15 September 2008, 'Iraq Strategy Group, 11 September'.

At the meeting, it was agreed that Mr Cahn and Mr Wareing should discuss the issue further.

**784.** The following week, Mr Frank Baker, Head of the FCO's Iraq Group, wrote to Mr McInnes:

“The [11 September ISG] meeting concluded that we needed an official in Baghdad to identify investment opportunities in Basra, as well as help UK businesses work with the Government of Iraq, otherwise we risk falling behind our international competitors.”<sup>473</sup>

**785.** Mr Baker stated that, given the “exceptional circumstances” and the high priority that the UK Government attached to having a trade representative in Baghdad, that post could be funded from the SAF until the end of the UK financial year (31 March 2009).

**786.** Mr Cahn met Mr Wareing on 1 October.<sup>474</sup> Mr Wareing said that the UK needed to exploit its excellent high-level relationships in Iraq. The UK had invested heavily in Iraq, and it would be a major disappointment if other countries went on to enjoy the fruits of stabilisation and economic development. UKTI needed to be “at the table”. Mr Cahn proposed that UKTI should recruit an international business specialist for a period of six months, to scope the market and produce recommendations for UKTI on the way forward.

**787.** Mr Alexander wrote to Mr Brown on 20 November to provide an update on progress in Basra.<sup>475</sup> He reported that DFID had already facilitated 18 investor visits by 14 companies, with proposals worth over US\$9bn submitted to the Iraqi Government.

**788.** Mr Brown met Prime Minister Maliki in Iraq on 17 December.<sup>476</sup> Prime Minister Maliki called for a wider long-term relationship, including investment and economic co-operation and stronger cultural and educational links.

**789.** Mr Brown's Assistant Private Secretary wrote to the Principal Private Secretary to Lord Mandelson, the Business, Enterprise and Regulatory Reform Secretary, the following day to advise that Mr Brown believed there were opportunities in Iraq and interest from British companies that were not being exploited.<sup>477</sup> Mr Brown was convinced that there was an urgent need for a significant UKTI presence in both Baghdad and Basra, both to consolidate security gains and to ensure that UK investors had every chance to benefit from commercial opportunities in Iraq. Mr Brown asked UKTI to start planning immediately for a long-term presence in Iraq, consulting Mr Wareing and DFID.

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<sup>473</sup> Letter Baker to McInnes, 19 September 2008, 'Iraq: UKTI position'.

<sup>474</sup> Minute, 2 October 2008, 'Meeting with Michael Wareing, co-Chair of the Basra Development Commission: Wednesday 1 October 2008'.

<sup>475</sup> Letter Alexander to Brown, 20 November 2008, [untitled].

<sup>476</sup> Letter Catsaras to Gould, 18 December 2008, 'Prime Minister's Meeting with Iraqi Prime Minister, 17 December'.

<sup>477</sup> Letter APS/Prime Minister to Abel, 18 December 2008, 'UKTI Presence in Iraq'.

**790.** Lord Mandelson's Principal Private Secretary replied on 16 January 2009, reporting that:

- A new Iraqi Commercial Officer would start work in the British Embassy Baghdad later that month.
- An international business specialist would deploy to Iraq on 24 January. He would support UK companies, scope opportunities for UK companies and make recommendations on UKTI's future footprint in Iraq by the end of March 2009. There would be no gap in commercial representation in Iraq.
- UKTI was recruiting an industry secondee to assist the International Business Specialist.
- The British Embassy Baghdad had just recruited a USAID employee into its vacant Commercial Assistant post.<sup>478</sup>

**791.** The international business specialist arrived in Baghdad at the end of January.<sup>479</sup> He was joined by a second UKTI-funded consultant on 12 February.<sup>480</sup>

**792.** Lord Mandelson visited Iraq on 6 April, at the head of a delegation of 23 companies (the largest official business delegation for over 20 years).<sup>481</sup> The steering brief prepared for Lord Mandelson identified a number of objectives including:

- underlining the UK's commitment to building a new broad-based, long-term partnership with Iraq, with a strong emphasis on economic and trade co-operation;
- countering Iraqi complaints (from Prime Minister Maliki and others) about the lack of interest from UK business, while assisting the business delegation to build contacts with Iraqi Ministers and members of the Iraqi business community; and
- supporting UK companies pursuing business in Iraq.

**793.** The steering brief also advised:

"Interest [in the visit] in Iraq has been surprisingly high – perhaps underlining that the time is right for a big push in our commercial relations.

"Iraqis trust British companies and products. But Iraqi politicians feel that [the] UK has been slow off the mark in terms of exploiting opportunities in the country, and there is a view (perhaps unfair) that we are lagging behind competitors from the rest of Europe, China, Russia and Japan."

<sup>478</sup> Letter Abel to Catsaras, 16 January 2009, [untitled].

<sup>479</sup> Report DFID, 1 February 2009, 'Weekly update: 1<sup>st</sup> February 2009'.

<sup>480</sup> Report DFID, 15 February 2009, 'Weekly update: 15<sup>th</sup> February 2009'.

<sup>481</sup> Paper BERR, [undated], 'Visit of the Rt Hon Lord Mandelson to Bahrain, Kuwait, Iraq, Abu Dhabi and Dubai, 5-8 April 2009'.

**794.** In response to demand from UK companies, UKTI now had four staff in Baghdad and a “senior trade diplomat” would arrive in mid-2009.

**795.** The briefing for the Iraq leg of the visit provided by the British Embassy Baghdad advised:

“With our [the UK’s] effort now refocusing on support for UK investors and developing the bilateral business relationship, UKTI are resuming lead responsibility and are increasing their presence in country.”<sup>482</sup>

## Debt relief

**796.** The Treasury was the lead department within the UK Government on securing debt relief for Iraq.<sup>483</sup> It worked closely with the Foreign and Commonwealth Office (FCO) and other departments.

## UK policy

**797.** The UK’s ‘Contract with the Iraqi People’, which was developed between February and December 2001, included an objective “to facilitate Iraq’s access to financial markets by encouraging generous debt rescheduling through the Paris Club” (see Section 6.4).

**798.** The Paris Club describes itself as an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries.<sup>484</sup> The Paris Club only negotiates debt restructurings with debtor countries that:

- need debt relief: debtor countries are expected to provide a precise description of their economic and financial situation;
- have implemented and are committed to implementing reforms to restore their economic and financial situation; and
- have a demonstrated track record of implementing reforms under an International Monetary Fund (IMF) programme.

**799.** A Treasury official sent Mr Gordon Brown, the Chancellor of the Exchequer, a paper on the global, regional and local (Iraqi) economic impact of “war” in Iraq on 6 September 2002. The paper identified the urgency of dealing with Iraq’s “huge” external debt, and suggested that a generous Paris Club deal would be the “obvious” way to address it. The Russians might be a major stumbling block, given the size of Iraq’s debt to them (around US\$8bn, or 15 percent of Iraq’s total external debt). The paper is considered in detail in Sections 6.4 and 13.1.

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<sup>482</sup> eGram 11967/09, [undated], ‘Iraq: Lord Mandelson’s visit to Baghdad and Basra: Scenesetter’.

<sup>483</sup> Paper Treasury, 2010, ‘Iraq Briefing – Debt’.

<sup>484</sup> Paris Club website, *About us: The six principles*.



**800.** The FCO Directorate of Strategy and Innovation (DSI) one-page paper ‘Vision for Iraq and the Iraqi People’, which was submitted to the Ad Hoc Group on Iraq on 11 October, listed actions that the UK/Coalition would take to help the Iraqi people, including “encouraging generous debt rescheduling”.<sup>485</sup>

**801.** In advance of the first round of US/UK/Australia talks on post-conflict issues on 6 November 2002, the Cabinet Office produced a paper synthesising work being undertaken by departments.<sup>486</sup> That paper identified the need for debt rescheduling to reconcile Iraq’s “huge external debts with reconstruction and development needs”.

**802.** During the talks, the US agreed that Iraq would require debt rescheduling.<sup>487</sup>

**803.** On 11 February 2003, a Treasury official invited Mr Brown’s comments on officials’ “first thoughts” on Treasury policies in a post-Saddam Iraq.<sup>488</sup> The official identified the Treasury’s “two main Finance Ministry interests” in Iraq as ensuring its prosperity and stability, while fairly sharing the costs of achieving this. An “emerging policy position” would include:

“... push for debt rescheduling, to ensure that Iraqi contributions [to its reconstruction] are not knocked off course by having to resume crippling debt service. The cost of this would conveniently fall to probable non-combatant countries.”

**804.** The official advised that although it was difficult to gauge the size of Iraq’s debt, the US State Department estimated that, as at 2002, Iraq owed around US\$82bn to external creditors. The State Department estimated that the four largest creditors were:

- Russia (US\$16.1bn, or some 20 percent of the total external debt);
- France (US\$9.1bn, 11 percent);
- Japan (US\$9.1bn, 11 percent); and
- Germany (US\$6.7bn, 8 percent).

The State Department estimated that the US was the sixth largest creditor (US\$4.4bn, 5 percent) and the UK the tenth largest creditor (US\$2.4bn, 3 percent).

**805.** The official commented that if those figures were accurate, Iraq was one of the most heavily indebted countries in the world.

<sup>485</sup> Paper FCO [draft], [undated], ‘Vision for Iraq and the Iraqi People’.

<sup>486</sup> Minute Drummond to Manning, 1 November 2002, ‘Iraq: Post-Saddam’ attaching Paper Cabinet Office, [undated], ‘Iraq: Models and some questions for post-Saddam government’.

<sup>487</sup> Minute Drummond to Manning, 8 November 2002, ‘Iraq: Day After’.

<sup>488</sup> Minute Treasury [junior official] to Chancellor, 11 February 2003, ‘HMT Policy on Post-Saddam Iraq’ attaching Paper Treasury, 11 February 2003, ‘Post-War Iraq: International Financing Policy’.

**806.** The official expanded upon the rationale for debt rescheduling:

“In post-war Iraq, the UK would be entitled to pursue repayment of US\$1 – US\$2 billion bilateral debts ... However, if all creditors did the same and were successful, Iraq’s ability to fund its own reconstruction would be severely compromised. This would lead to a fiscal financing gap for Iraq, probably filled largely by bilateral financing. In such a situation, the UK might be under pressure to make a big contribution ... The other advantage to rescheduling is that we suspect that most of the debt is owed to probable non-combatant countries (e.g. France, Russia), with debt relief thus providing a neat way of burden sharing. The other strong argument for debt relief is that, without it, multilateral lending is likely to prove very difficult.”

**807.** The Treasury told the Inquiry that Mr Brown did not comment on the submission.<sup>489</sup>

**808.** Mr John Dodds, Head of the Treasury’s Defence, Diplomacy and Intelligence Team, advised Mr Brown on 19 February that the UK’s Export Credit Guarantee Department (ECGD) had already made a 96 percent provision in relation to Iraq.<sup>490</sup>

**809.** On 6 March, Mr Blair chaired a meeting on post-conflict issues with Mr Brown and other Ministers (see Section 6.5).<sup>491</sup> At the meeting, Mr Brown said that the burden of reconstructing Iraq should not be borne by just the US and the UK; other countries (and the EU) should contribute. In the long term, Iraq’s oil should fund the country’s reconstruction. Mr Brown was particularly concerned that UK funds should not be used to repay Iraq’s debts.

**810.** Mr Blair concluded that Mr Brown should draw up “a funding plan, including securing funding from wider international sources, in particular the IFIs [international financial institutions]”.

**811.** The FCO sent a number of background papers to No.10 in advance of the 16 March Azores Summit, including a revised version of the UK’s ‘A Vision for Iraq and the Iraqi People’.<sup>492</sup> The revised version of the ‘Vision’ reflected a number of changes from the version developed in October 2002, including “Seeking a fair and sustainable solution to Iraq’s debt problems” in place of “Negotiating generous debt rescheduling”.

**812.** The *Vision for Iraq and the Iraqi People* issued by Mr Blair, President Bush and Spanish Prime Minister José María Aznar at the Azores Summit did not mention debt.<sup>493</sup>

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<sup>489</sup> Email Treasury [junior official] to Iraq Inquiry [junior official], 26 February 2010, [untitled].

<sup>490</sup> Minute Dodds to Chancellor, 19 February 2003, ‘Iraq – “Aftermath” – UK Role’ attaching Paper Treasury, 19 February 2003, ‘Iraq Conflict – Public Expenditure Impact’.

<sup>491</sup> Letter Cannon to Owen, 7 March 2003. ‘Iraq: Post-Conflict Issues’.

<sup>492</sup> Letter Owen to Rycroft, 15 March 2003, ‘Azores Summit’ attaching Paper FCO, [undated], ‘A Vision for Iraq and the Iraqi people’.

<sup>493</sup> Statement of the Atlantic Summit, 16 March 2003, *A Vision for Iraq and the Iraqi People*.

**813.** Mr Jeremy Heywood, Mr Blair's Principal Private Secretary, passed the US State Department estimates of debt owed by Iraq to Sir David Manning, Mr Blair's Foreign Policy Adviser, on 25 March.<sup>494</sup> Mr Heywood advised that compensation claims from Kuwait's Government and citizens could add up to US\$100bn to Iraq's debt.

**814.** The Development Committee of the World Bank Group and IMF agreed at their April 2003 Spring Meetings that debt relief for Iraq should be pursued through the Paris Club.<sup>495</sup>

**815.** The Treasury prepared a paper for the 8 May meeting of the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR), which considered whether a Paris Club agreement on Iraq would be achievable.<sup>496</sup>

**816.** A Treasury official advised Mr Paul Boateng, the Chief Secretary to the Treasury, in advance of the meeting that most creditors seemed content with that approach, though the US appeared to be "not fully committed" to the Paris Club route.

**817.** The Treasury paper stated that three of Iraq's biggest Paris Club creditors – Russia, France and Germany – had been hostile to the invasion and would be deeply disappointed at the prospect of debt relief.<sup>497</sup> There were also a number of encouraging factors, however, including:

- No creditor had been paid for more than a decade. A Paris Club deal was the only real prospect of recovering any funds.
- France, as Paris Club chair, would find it hard to resist a Paris Club deal.
- Many creditors would be keen to exploit new commercial opportunities which would require a regularisation of the debt position.

**818.** A Treasury official briefed Mr Brown on progress in securing debt relief for Iraq on 17 November, in advance of a meeting the following day with Mr John Snow, the US Secretary of the Treasury.<sup>498</sup>

**819.** The official warned that the US was becoming impatient with the pace of progress in the Paris Club and concerned over the US's lack of control over the process; a poor outcome could leave Iraq with an unsustainable debt burden. The UK continued to believe that the most effective way to achieve debt relief was through the Paris Club.

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<sup>494</sup> Minute Heywood to Manning, 25 March 2003, 'Iraq: Debt'.

<sup>495</sup> Minute Treasury [junior official] to Chief Secretary, 7 May 2003, 'Ad Hoc Ministerial on Iraq Rehabilitation, Thursday 8<sup>th</sup> May at 2.30pm'.

<sup>496</sup> Annotated Agenda, 8 May 2003, Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper Treasury, April 2003, 'Iraq: Debt'.

<sup>497</sup> Paper Treasury, April 2003, 'Iraq: Debt'.

<sup>498</sup> Minute Habeshaw to Chancellor, 17 November 2003, 'Iraq: International Debt' attaching Paper Treasury, [undated], 'Chancellor – Secretary Snow: Iraq: International Debt' and Paper Treasury, 17 November 2003, 'Iraq: International Debt'.

**820.** The official advised that the UK estimated that Iraq had debts of at least US\$108bn, over 700 percent of GDP or 900 percent of exports. That level of debt was unsustainable, especially when it was combined with Iraq's commitment to meet at least US\$85bn in compensation claims from the Kuwait war. Preliminary Treasury analysis was that a reduction of almost 80 percent in the net present value of Iraq's external debt would be required to restore sustainability.

**821.** Mr Brown discussed debt relief for Iraq with Secretary Snow on 18 November.<sup>499</sup> Mr Brown's Private Secretary reported that Secretary Snow had agreed that Iraq's debt should be dealt with through the Paris Club, though the terms would have to be more generous than usual.

### The US push for substantial debt relief, December 2003

**822.** On 5 December, President Bush appointed Mr James T Baker III, former US Secretary of State, as his personal envoy on Iraqi debt.<sup>500</sup> Mr Baker embarked on a series of meetings with key creditors.

**823.** President Bush, Mr Jacques Chirac (the French President) and Mr Gerhard Schröder (the German Chancellor) issued a joint statement on debt relief for Iraq on 16 December.<sup>501</sup> It confirmed that France, Germany and the United States agreed that there should be substantial debt reduction for Iraq, but stated that: "The exact percentage of debt reduction that would constitute 'substantial' debt reduction is subject to future agreement between the parties."

**824.** Mr Baker called on Mr Blair on 18 December.<sup>502</sup>

**825.** The Treasury advised Mr Blair that Mr Baker was expected to ask the UK to:

- advocate publicly for significant debt relief, perhaps as much as 90 percent;
- lobby other key creditors; and
- act with the US in providing bilateral debt relief, should the Paris Club not look like producing a sustainable solution.

**826.** In response, the UK should:

- Commit to advocating for "significant debt relief", but not to a specific figure. The US figure of 90 percent was an "extreme case".

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<sup>499</sup> Email Bowman to Treasury [junior official], 18 November 2003, 'Iraq Debt: CX Meeting with Secretary Snow'.

<sup>500</sup> Minute Cannon to Blair, 17 December 2003, 'Iraqi Debt: Meeting with James Baker' attaching Paper Treasury, [undated], 'Brief on Iraq's International Debt'.

<sup>501</sup> Statement President Bush, President Chirac and Chancellor Schroeder, 16 December 2003, *Joint statement on Iraq and debt reduction*.

<sup>502</sup> Minute Cannon to Blair, 17 December 2003, 'Iraqi Debt: Meeting with James Baker' attaching Paper Treasury, [undated], 'Brief on Iraq's International Debt'.

- Urge the US to use the Paris Club. That offered Iraq the best chance of a sustainable solution. Bilateral debt relief would need to be funded through public expenditure.

**827.** At the meeting, Mr Baker said that he hoped to secure 80 percent debt relief for Iraq, though that might be optimistic.<sup>503</sup> Mr Baker agreed with Mr Blair's proposal that the US should stick with the Paris Club mechanism. Mr Baker said that President Chirac was seeking debt reduction of no more than 50 percent and that Chancellor Schröder was starting from a position of 50 percent but was open to negotiation. Russia was giving mixed signals.

**828.** Mr Baker met Russian President Vladimir Putin on 18 December. The media reported that President Putin had told Mr Baker that Russia would join talks on settling Iraq's debt, but would negotiate on the issue taking into account the economic interests of Russia and Russian companies in Iraq.<sup>504</sup>

### The UK seeks a better deal for the most heavily indebted countries

**829.** In January 2004, Mr Jon Cunliffe, Treasury Managing Director for Macroeconomic Policy and International Finance, highlighted to Mr Gary Edson, US Deputy Assistant to the President for International Economic Affairs, the UK's need to demonstrate broad consistency between debt relief for Iraq and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, in order to avoid charges of "aid diversion" from poor countries to Iraq.<sup>505</sup>

**830.** Mr Edson argued that Iraq was a special case, but acknowledged the need to be "creative" in developing an acceptable debt relief agreement.

**831.** Mr Blair spoke to Mr Baker again on 18 May, at President Bush's request.<sup>506</sup>

**832.** The Treasury's briefing for Mr Blair restated the UK's "key interests":

- debt relief would facilitate Iraq's economic development;
- debt relief through the Paris Club would strengthen that multilateral process; and
- financial: the UK was Iraq's 14th largest creditor, holding claims of approximately £1.15bn; there was also a public expenditure issue.<sup>507</sup>

<sup>503</sup> Letter Cannon to Bowman, 18 December 2003, 'Iraq Debt: Call on Prime Minister by James Baker'.

<sup>504</sup> *The New York Times*, 19 December 2003, *Russia agrees to discuss debt relief for Iraq*; *People's Daily Online*, 20 December 2003, *Russia says business interests crucial in Iraq debt relief*.

<sup>505</sup> Email Treasury [junior official] to Cunliffe, 9 January 2004, 'Iraq: NSC-HMG Telecon 08-01-04' attaching Note, [undated], 'Note of NSC-HMG Telecon'.

<sup>506</sup> Letter Quarrey to Bowman, 18 May 2004, 'Iraqi Debt: Prime Minister's Phone Call with James Baker, 18 May' attaching Paper, [undated], 'Contingent HIPC Proposal: Extend HIPC, Accelerate Debt Reduction, Increase Grants'.

<sup>507</sup> Minute Quarrey to Blair, 18 May 2004, 'Iraq Debt: Jim Baker, 18 May' attaching Paper Treasury, [undated], 'Prime Minister's Vidcon with Secretary Baker'.

**833.** The briefing described that public expenditure issue:

“Provided debt reduction can be justified on financial grounds, the cost of writing off commercial debts does not score as departmental expenditure but is borne by ECGD and the Treasury. In practice, the most effective way of demonstrating a good financial case is to use the Paris Club process. In contrast, if the UK were to write off debts on policy grounds ... the cost would score as departmental expenditure and would need to be financed by DFID or another spending department.”

**834.** The Treasury briefing identified a fourth interest: to use UK support for debt relief for Iraq to press the US to commit to more generous treatment of HIPC's. That treatment should include extending the HIPC Initiative and providing additional relief if HIPC's experienced external shocks. The briefing observed that the cost of debt relief for Iraq was likely to exceed the cost of the debt relief for all 38 of the countries which had benefited from the HIPC Initiative.

**835.** The briefing stated that the US might be intending to cancel 100 percent of Iraqi debt owed to it, and might press the UK to do the same. Assuming a Paris Club agreement to write-off 80 percent of Iraq's debt, such an additional write-off would cost the UK £230m. As that additional write off would be on policy (rather than financial) grounds, the cost would fall to DFID, which would almost certainly make a claim on the Reserve. The Treasury advised that while a 100 percent write-off could have presentational benefits, it might not represent the best use of the resources available to Iraq and that other debtor countries, including some that had large debts to the UK, might demand similar generosity.

**836.** Just before Mr Blair and Mr Baker's conversation, Mr Baker's office sent No.10 an outline proposal to extend the HIPC Initiative for up to three years and to accelerate the provision of debt reduction under HIPC programmes.<sup>508</sup>

**837.** During the phone call on 18 May, Mr Baker said that the US agreed with the UK's proposal that debt reduction for Iraq should be accompanied by an extension of the HIPC Initiative.<sup>509</sup> He told Mr Blair that President Bush was prepared to support the HIPC Initiative only if there was a “parallel agreement” on Iraq. Referring to the outline proposal that his office had sent to No.10, Mr Baker said that it would not fly if it was seen as a US initiative, but might if it was seen as a UK and French initiative to secure concessions from the US on the HIPC Initiative in return for deep debt reduction for Iraq.

**838.** Mr Blair said that this was an important initiative and undertook to send it to President Chirac.

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<sup>508</sup> Email Rogers to Bowman, 18 May 2004, 'Heavily Indebted Poor Country (HIPC) Program'.

<sup>509</sup> Letter Quarrey to Bowman, 18 May 2004, 'Iraqi Debt: Prime Minister's Phone Call with James Baker, 18 May' attaching Paper, [undated], 'Contingent HIPC Proposal: Extend HIPC, Accelerate Debt Reduction, Increase Grants'.

**839.** The IMF released the final elements of its Debt Sustainability Analysis (DSA) for Iraq on 25 May.<sup>510</sup> The DSA assessed that Iraq's debt stock was US\$124.8bn, of which US\$42bn was owed to Paris Club creditors, US\$67.3bn to non-Paris Club official creditors, US\$15bn to the private sector and US\$0.5bn to multilateral institutions.

**840.** A Treasury official briefed Mr Brown on the DSA two days later.<sup>511</sup> He estimated that, on the basis of the DSA assessment, Iraq required debt reduction of at least 80 percent and preferably 90 to 95 percent; the higher figures would deliver a robust exit from debt unsustainability and enable Iraq to cope with economic shocks.

**841.** Mr Blair spoke to President Chirac on 1 June, and suggested that the UK and France should make a joint approach to the US on debt relief for Iraq and HIPC's.<sup>512</sup> President Chirac did not support the proposal.

**842.** The US sought to broker a deal on debt relief for Iraq at the 8 June 2004 G8 Summit at Sea Island, but without success.<sup>513</sup> The Summit did agree to extend the HIPC Initiative for two years until 31 December 2006 and to provide the necessary financing to complete the initiative, and to provide additional debt relief "where appropriate".<sup>514</sup>

**843.** During a press conference at the end of the Summit, President Chirac was asked whether he still thought that 50 percent was the right level of debt relief for Iraq.<sup>515</sup> He replied:

"It is absolutely the right one ... Iraq is potentially a rich country even though she has a substantial debt. How will you explain to the very indebted poor countries ... that we're going to do for Iraq in three months more than we've done in ten years for the world's thirty-seven poorest and most indebted countries? That ... isn't right."

**844.** Treasury officials commented the following month that the Sea Island agreement had not gone as far as they had hoped, in part because there had been no concomitant agreement on debt relief for Iraq.<sup>516</sup> They reported that Mr Brown still believed that the UK should maintain a linkage between debt relief for Iraq and "a better deal for ... HIPC's".

## Paris Club agrees debt relief for Iraq, November 2004

**845.** Discussions continued over the summer between the Iraqi Government, the IMF and creditors on debt reduction and the terms of an IMF programme for Iraq.<sup>517</sup>

<sup>510</sup> International Monetary Fund, 25 May 2004, *Iraq – External Debt Sustainability Analysis*.

<sup>511</sup> Minute Habeshaw to Chancellor, 27 May 2004, 'Iraq Debt: IMF Debt Sustainability Analysis'.

<sup>512</sup> Letter Rycroft to Adams, 1 June 2004, 'Prime Minister's Conversation with Chirac, 1 June'.

<sup>513</sup> Paper Treasury, 7 July 2004, 'Iraq Debt and HIPC'.

<sup>514</sup> Sea Island Summit 2004 Communiqué, 10 June 2004, *Debt Sustainability for the Poorest*.

<sup>515</sup> Présidence de la République, 10 June 2004, *Sommet du G8 – Conférence de Presse de M. Jacques CHIRAC Président de la République, à l'issue du Sommet*.

<sup>516</sup> Paper Treasury, 7 July 2004, 'Iraq Debt and HIPC'.

<sup>517</sup> Minute Habeshaw to Chancellor, 6 September 2004, 'Iraq Debt: Update'.

The UK's position remained that Iraq required debt reduction of at least 80 percent to deliver debt sustainability. The US and the Iraqi Government sought 95 percent, which the UK assessed would leave Iraq in a "very strong" financial position. The UK's negotiating line, including in a bilateral meeting with the French on 1 September 2004, was to support the US position "while hinting flexibility".

**846.** The IMF Board approved a US\$436m Emergency Post-Conflict Assistance programme for Iraq on 29 September.<sup>518</sup> The UK Delegation to the IMF reported that unanimous approval had followed "tetchy" discussions, with a number of Executive Directors expressing unease at the speed of approval (the timetable had been driven by US demands and the IMF had cut back substantially on formal review processes) and whether the Iraqi Government would be able to implement the necessary policy reforms if the security situation did not improve. The IMF had commented that agreement paved the way for discussions on debt relief.

**847.** In early November, at the request of the Paris Club and in anticipation of an agreement on debt relief for Iraq later that month, the IMF revisited its DSA for Iraq.<sup>519</sup> Treasury officials briefed Mr Brown that, on the basis of the new figures, debt reduction of between 75 and 85 percent was required to restore sustainability; debt reduction above 85 percent could not be justified financially. Officials also told Mr Brown that the US had now circulated a draft proposal seeking debt reduction of 89.5 percent in three phases, with a generous repayment profile. The UK supported that proposal as a negotiating position, but doubted that it could be agreed with Paris Club members.

**848.** A Treasury official warned Mr Brown on 12 November that the US had decided to offer Iraq additional debt relief following a Paris Club deal, writing off 100 percent of Iraq's debt.<sup>520</sup> If the UK did the same it would cost between £172m and £344m, depending on the deal agreed at the Paris Club. Echoing the arguments offered in May 2004, the official advised that, while there were "political arguments" in favour of offering additional debt relief, there were also arguments against it:

- Significantly poorer countries had not received 100 percent debt relief.
- Iraq had no track record of using savings generated by debt relief for poverty reduction.
- Providing 100 percent debt relief would set a precedent for the UK's treatment of other countries.

**849.** The official recommended that the UK should not offer additional debt relief to Iraq.

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<sup>518</sup> Telegram 25 UKDEL IMF/IBRD to Treasury, 30 September 2004, 'Iraq: IMF Approves Emergency Post Conflict Assistance'.

<sup>519</sup> Minute Habeshaw to Chancellor, 8 November 2004, 'Iraq Debt: New Debt Sustainability Numbers'.

<sup>520</sup> Minute Treasury [junior official] to Brown, 12 November 2004, 'Iraq Debt: Update'.



**850.** The Treasury told the Inquiry that it has no record of Mr Brown responding to that advice.<sup>521</sup>

**851.** Paris Club creditors agreed on 21 November to reduce Iraq's official debt by 80 percent.<sup>522</sup> The deal would be delivered in three stages: 30 percent immediately; 30 percent on approval of a standard IMF programme; and 20 percent on completion of the standard IMF programme. The deal would write off US\$31.1bn of the US\$38.9bn owed to Paris Club creditors. The Iraqi Government committed to seek comparable treatment from its non-Paris Club creditors.

**852.** The UK's share of that write-off was approximately US\$1.39bn,<sup>523</sup> or £954m (£337m in UK financial year 2004/05, £337m in UK financial year 2005/06 and £280m in UK financial year 2008/09).<sup>524</sup> The entire amount was charged to the ECGD.

**853.** A Treasury briefing for Mr Brown stated that the deal represented an important success for the international community, demonstrating an ability to act together on an issue as divisive as Iraq.<sup>525</sup>

**854.** The Treasury told the Inquiry that the agreement followed intense negotiations between G7 officials and Ministers, including between Mr Brown, Secretary Snow and Mr Nicolas Sarkozy, the French Minister of Finance.<sup>526</sup> The deal had been finalised in a meeting between Secretary Snow and Mr Hans Eichel, the German Minister of Finance.

**855.** The Treasury told the Inquiry that it has no records of the discussions between Mr Brown and Mr Snow and Mr Sarkozy.<sup>527</sup>

**856.** The US wrote off 100 percent of Iraq's debt, totalling US\$4.1bn, on 17 December 2004.<sup>528</sup>

**857.** In November 2006, Mr Brown was asked by Dr Barham Salih, Iraqi Deputy Prime Minister, to provide 100 percent debt relief for Iraq.<sup>529</sup> Mr Brown responded by highlighting the aid that the UK was already providing and his discussions with counterparts in the Gulf states and the EU on supporting Iraq.

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<sup>521</sup> Email Treasury [junior official] to Iraq Inquiry [junior official], 17 April 2014, 'Further Queries Relating to Resources'.

<sup>522</sup> Paris Club, Press Communiqué, 21 November 2004, *Restructuring the Iraqi debt – Agreement between the Paris Club and Iraq*.

<sup>523</sup> Briefing Treasury, [undated], 'Brief: Meeting with Barham Saleh, Deputy Prime Minister of Iraq'.

<sup>524</sup> Letter Cabinet Office [junior official] to Aldred, 13 September 2011, 'Iraq Inquiry: Request for Further Information on Funding'.

<sup>525</sup> Briefing Treasury, [undated], 'Brief: Meeting with Barham Saleh, Deputy Prime Minister of Iraq'.

<sup>526</sup> Paper Treasury, 2010, 'Iraq Briefing – Debt'.

<sup>527</sup> Email Treasury [junior official] to Iraq Inquiry [junior official], 22 April 2014, 'Further Queries Relating to Resources'.

<sup>528</sup> Congressional Research Service, Report for Congress, 11 March 2005, *Iraq: Debt Relief*.

<sup>529</sup> Record, [undated], 'Chancellor's Visit to Basra: 18/11/06'.

**858.** The UK did not provide additional bilateral debt relief for Iraq, beyond the agreement reached at the Paris Club.

## Returning asylum seekers to Iraq

**859.** Iraq, with almost 50,000 applicants, was the biggest source of asylum seekers to the 29 industrialised countries that provided monthly data to the UN High Commissioner for Refugees (UNHCR) in 2002.<sup>530</sup> Of those applicants, 14,565 applied for asylum in the UK.

**860.** Table 2 shows the number of asylum applications to certain industrialised countries and the UK originating in Iraq between 2002 and 2009.

Table 2: Asylum applications to industrialised countries and to the UK originating in Iraq

	Total number of applications originating in Iraq	Number of applications to the UK originating in Iraq	Percentage of total applications
2002 <sup>531</sup>	49,368	14,565	29.5
2003 <sup>532</sup>	25,361	4,290	16.4
2004 <sup>533</sup>	9,850	1,880	19.1
2005 <sup>534</sup>	12,521	1,605	12.8
2006 <sup>535</sup>	22,908	1,305	5.7
2007 <sup>536</sup>	45,100	2,075	4.6
2008 <sup>537</sup>	40,366	2,030	5.0
2009 <sup>538</sup>	24,673	990	4.0

<sup>530</sup> UNHCR, 24 February 2004, *Asylum Levels and Trends: Europe and non-European Industrialized Countries, 2003*.

<sup>531</sup> UNHCR, 24 February 2004, *Asylum Levels and Trends: Europe and non-European Industrialized Countries, 2003*. Figures reflect origin of asylum applications in 29 countries providing monthly data to UNHCR.

<sup>532</sup> UNHCR, 1 March 2005, *Asylum Levels and Trends: Europe and non-European Industrialized Countries, 2004*. Figures reflect origin of asylum applications lodged in 36 countries providing monthly data to UNHCR.

<sup>533</sup> UNHCR, 17 March 2006, *Asylum Levels and Trends in Industrialized Countries, 2005*. Figures reflect origin of asylum applications lodged in 36 countries providing monthly data to UNHCR.

<sup>534</sup> UNHCR, 23 March 2007, *Asylum Levels and Trends in Industrialized Countries, 2006*. Figures reflect origin of asylum applications lodged in 36 countries providing monthly data to UNHCR.

<sup>535</sup> UNHCR, 18 March 2008, *Asylum Levels and Trends in Industrialized Countries, 2007*. Figures reflect origin of asylum applications lodged in 43 countries providing monthly data to UNHCR.

<sup>536</sup> UNHCR, 24 March 2009, *Asylum Levels and Trends in Industrialized Countries, 2008*. Figures reflect origin of asylum applications lodged in 44 countries providing monthly data to UNHCR.

<sup>537</sup> UNHCR, 23 March 2010, *Asylum Levels and Trends in Industrialized Countries, 2009*. Figures reflect origin of asylum applications lodged in 44 countries providing monthly data to UNHCR.

<sup>538</sup> UNHCR, 28 March 2011, *Asylum Levels and Trends in Industrialized Countries, 2010*. Figures reflect origin of asylum applications lodged in 44 countries providing monthly data to UNHCR.

**861.** Establishing a programme to enable the return of Iraqi asylum seekers currently in the UK to Iraq was an early priority for the UK Government.

**862.** On 8 April 2003, as major combat operations in Iraq continued, Mr David Blunkett, the Home Secretary, wrote to Mr Blair:

“As the conflict in Iraq moves towards a successful conclusion, we need to look at the consequences for the tens of thousands of Iraqi asylum seekers currently in the United Kingdom.

“Once peace and stability have returned to Iraq I believe it is right to press ahead with a substantial returns programme ... The new Iraq needs the skills of its exiles to help in reconstruction. And with the threat from Saddam’s regime removed there is no justification for failed Iraqi asylum seekers and new arrivals to remain in the UK.”<sup>539</sup>

**863.** No.10 replied on 10 April, confirming that Mr Blair had asked departments to work towards “forced returns ... in the course of the next three months”.<sup>540</sup>

**864.** The International Organization for Migration (IOM) facilitated a small number of voluntary returns from the UK to Iraq, beginning in June 2003.<sup>541</sup>

**865.** The Home Office reported in October 2003 that 50 Iraqis had so far returned on that basis.<sup>542</sup>

**866.** In October 2003, the UK sought the CPA’s agreement to expand its voluntary returns programme and to introduce an enforced returns programme, to the Kurdish Autonomous Zone (KAZ) only, for those who had no legal right to remain in the UK.<sup>543</sup>

**867.** Sir Jeremy Greenstock, the Prime Minister’s Special Representative on Iraq, reported on 7 November that the CPA was reluctant to agree those requests.<sup>544</sup> Ambassador Paul Bremer, the Head of the CPA, had decided in July not to encourage returnees until Iraq’s infrastructure could deal with them. The CPA argued that while the KAZ was a more stable and better serviced area of Iraq:

- there were already more than 600,000 internally displaced people there;
- the ethnic balance remained sensitive;
- there was not yet a policy on resolving disputes over property ownership; and

<sup>539</sup> Letter Blunkett to Blair, 8 April 2003, ‘Iraq: Organising Rapid Returns’.

<sup>540</sup> Letter Miles to Razavi, 10 April 2003, ‘Iraq: Organising Rapid Returns’.

<sup>541</sup> Minute Baird to Hughes, 6 June 2003, ‘Returns to Iraq: Update’.

<sup>542</sup> Letter Baird to Fry, 16 October 2003, ‘Iraq: Return of Failed Asylum Seekers’ attaching Paper, [undated], ‘Iraq: Returns’.

<sup>543</sup> Letter Baird to Fry, 16 October 2003, ‘Iraq: Return of Failed Asylum Seekers’ attaching Paper, [undated], ‘Iraq: Returns’.

<sup>544</sup> Telegram 255 Baghdad to FCO London, 7 November 2003, ‘Iraq: Iraqi Returns’.

- UNHCR and IOM had no expatriate staff in Iraq to maintain and monitor returnee programmes.

**868.** The UK continued to lobby Ambassador Bremer.<sup>545</sup>

**869.** Ambassador Bremer agreed on 17 February 2004 that the UK could implement a pilot programme of enforced returns to northern Iraq from 1 April 2004.<sup>546</sup> The agreement covered the lifetime of the CPA only. An IPU official commented that Ambassador Bremer had not agreed to accept enforced returns from any other Western country, including the US.

**870.** Later that month, Mr Blunkett announced that the UK intended to begin a pilot programme of voluntary and enforced returns to Iraq.<sup>547</sup>

**871.** It did not prove possible to implement that pilot programme.

**872.** The Kurdish Regional Government (KRG) wrote to UNHCR on 9 May stating its opposition to enforced returns.<sup>548</sup>

**873.** The FCO subsequently cancelled a scoping mission by a Home Office delegation scheduled for late May, due to the lack of helicopters and armoured vehicles to transport them to northern Iraq and to avoid antagonising the KRG.<sup>549</sup>

**874.** Mr Blunkett wrote to Mr Straw on 28 May, to urge him to reconsider.<sup>550</sup> Mr Blunkett advised that Iraq consistently figured in the list of the “top ten asylum producing countries”. Unless the UK established the principle of forced return by sending out a flight of returnees before 30 June 2004 (the expected date of the transfer of power in Iraq from the CPA to an Iraqi Interim Administration), the new Iraqi authorities might insist that negotiations on enforced returns “recommence from the beginning”.

**875.** Mr Straw replied on 7 June, acknowledging Mr Blunkett’s concern but stating that making enforced returns before 1 July without consultation with the incoming Interim Iraqi Government (IIG), its ministries and the KRG could undermine broader UK diplomatic efforts and predispose the IIG to be unhelpful on returns in the future.<sup>551</sup>

**876.** Mr Blunkett accepted Mr Straw’s response.<sup>552</sup>

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<sup>545</sup> Minute Greenstock to Bremer, 15 February 2004, ‘Iraqi Returns from the UK’.

<sup>546</sup> Minute IPU [junior official] to PS/Baroness Symons, 18 May 2004, ‘Iraq: Enforced Returns of Failed Asylum Seekers to Iraq’.

<sup>547</sup> Paper FCO, 26 February 2004, ‘No.10 Weekly Update – 26 February 2004’.

<sup>548</sup> Letter Siwaily to UNHCR, 9 May 2004, ‘Iraqi returnees from Iran’.

<sup>549</sup> Minute IPU [junior official] to PS/Baroness Symons, 18 May 2004, ‘Iraq: Enforced Returns of Failed Asylum Seekers to Iraq’.

<sup>550</sup> Letter Blunkett to Straw, 28 May 2004, ‘Enforced Return of Failed Asylum Seekers to Iraq’.

<sup>551</sup> Letter Straw to Blunkett, 7 June 2004, ‘Enforced Return of Failed Asylum Seekers to Iraq’.

<sup>552</sup> Letter Blunkett to Straw, 22 June 2004, ‘Enforced Return of Failed Asylum Seekers to Iraq’.

**877.** The Iraqi Minister of Displacement and Migration visited the UK from 23 to 27 July, and agreed that Iraq and the UK should draw up a Memorandum of Understanding (MOU) to cover returns to Iraq.<sup>553</sup>

**878.** The Occupation of Iraq formally came to an end on 28 June. Power was transferred from the CPA and Iraqi Governing Council to the IIG.<sup>554</sup>

**879.** On 3 November, an IPU official provided an update for Mr Straw on enforced returns.<sup>555</sup> A Home Office delegation had visited Iraq from 3 to 11 September and had “eventually persuaded” KRG Ministers and officials to accept forced returns. The Minister of Displacement and Migration had not yet signed the MOU. The Home Office believed that forced returns could go ahead without it as, under the Chicago Convention, Iraq had an obligation to take back its nationals who did not qualify to remain in the UK. The Home Office was therefore making plans to send the first 15 failed asylum seekers back to northern Iraq on around 23 November.

**880.** The IPU official advised that the FCO’s view was that no forced returns should take place until the MOU was signed, for three reasons:

- to ignore IIG views could generate “ill will” from the IIG and KRG, at a time when the UK needed their support on a number of political priorities;
- the planned destinations for returnees might not be safe; and
- the presentational issue of enforced returns coinciding with military operations in Fallujah, and with Ramadan.

**881.** Mr Blunkett’s Private Secretary wrote to No.10 on 15 November, reporting that the IIG accepted the principle of enforced return, but was unlikely to accept returnees until the following year.<sup>556</sup> The Minister of Displacement and Migration had asked for an improved package of assistance for returnees. Mr Blunkett’s Private Secretary restated the FCO’s view that no enforced returns should take place without an MOU, and recommended that the UK should intensify its lobbying to secure the IIG’s signature to it.

**882.** No.10 replied on 18 November, confirming that Mr Blair agreed that no enforced returns should be made without an MOU.<sup>557</sup>

**883.** Mr Blair visited Baghdad on 21 December.<sup>558</sup> In his record of Mr Blair’s meeting with Prime Minister Ayad Allawi, Mr Quarrey reported that Prime Minister Allawi had agreed that Iraq should sign an MOU covering enforced returns before the end of the month.

<sup>553</sup> Minute IPU [junior official] to Straw, 3 November 2004, ‘Iraq: Update on Enforced Returns’.

<sup>554</sup> Bremer LP III & McConnell M. *My Year in Iraq: The Struggle to Build a Future of Hope*. Threshold, 2006.

<sup>555</sup> Minute IPU [junior official] to Straw, 3 November 2004, ‘Iraq: Update on Enforced Returns’.

<sup>556</sup> Letter PS/Blunkett to No.10 [junior official], 15 November 2004, ‘Enforced Returns to Iraq’.

<sup>557</sup> Letter No.10 [junior official] to PS/Blunkett, 18 November 2004, ‘Enforced Returns to Iraq’.

<sup>558</sup> Letter Quarrey to Adams, 21 December 2004, ‘Prime Minister’s Visit to Baghdad, 21 December: Meeting with Allawi’.

**884.** The MOU was signed in January 2005 by the Ministry of Displacement and Migration, on behalf of the IIG, and the Home Office.<sup>559</sup>

**885.** Notwithstanding the signature of the MOU, discussions continued between the UK Government and the IIG on the implementation of an enforced return programme.<sup>560</sup> The IIG's concerns included the impact of returnees within the KRZ and the package of assistance provided to returnees.

**886.** Mr Tim Torlot, Deputy Head of Mission at the British Embassy Baghdad, called on Prime Minister Ibrahim Ja'afari on 4 August. Mr Torlot reported to the FCO that Prime Minister Ja'afari had agreed that Iraq should abide by the terms of the MOU, and to instruct the Minister of Displacement and Migration to accept enforced returns. Prime Minister Ja'afari hoped that the UK would consider substantially increasing the assistance provided to returnees.

**887.** The UK planned to operate the first flight carrying enforced returnees on 28 August.<sup>561</sup>

**888.** Mr Charles Clarke, who had succeeded Mr Blunkett as Home Secretary, wrote to Mr Blair on 25 August to confirm that he had postponed that flight, due to opposition from the KRG and a concern that the RAF aircraft carrying the returnees would be a target for insurgent activity.<sup>562</sup>

**889.** President Jalal Talabani and Mr Blair met at 10 Downing Street on 6 October.<sup>563</sup> Mr Blair said that he attached great importance to early progress on the issue of enforced returns, and said that it would be helpful if President Talabani took a personal interest.

**890.** Mr Straw was advised on 17 November that the KRG had, following Ministerial pressure, finally agreed to accept enforced returnees.<sup>564</sup>

**891.** The first flight of enforced returnees, comprising 15 failed asylum seekers, took place on 20 November, landing in Erbil.<sup>565</sup>

**892.** Mr Clarke reported to Mr Blair on 25 November that the UK had not received "the expected legal challenge" to the returns on the grounds that Iraq was an unsuitable destination.

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<sup>559</sup> Paper, 26 January 2005, 'Memorandum of Understanding between the Ministry of Displacement and Migration of the Republic of Iraq and the Home Office for the United Kingdom of Great Britain and Northern Ireland'.

<sup>560</sup> eGram 10598/05 Baghdad to FCO London, 5 August 2005, 'Iraq: Enforced Returns of Asylum Seekers: Call on Prime Minister'.

<sup>561</sup> Minute Clarke to Prime Minister, 25 July 2005, 'Enforced Returns to Iraq'.

<sup>562</sup> Minute Clarke to Prime Minister, 25 August 2005, 'Enforced Returns to Iraq'.

<sup>563</sup> Letter Quarrey to Siddiq, 6 October 2005, 'Iraq: Talabani'.

<sup>564</sup> Minute FCO [junior official] to Straw, 17 November 2005, 'Iraq: Enforced Return of Failed Asylum Seekers'.

<sup>565</sup> Note Clarke to Blair, 25 November 2005, 'Enforced Returns to Iraq'.

**893.** No flights to central or southern Bagdad were made during the period covered by this Inquiry.

## Post-conflict reconstruction and stabilisation

**894.** A cross-government review of the UK's approach to post-conflict reconstruction began in September 2003.<sup>566</sup>

**895.** The inter-departmental Post-Conflict Reconstruction Unit (PCRU) was established in September 2004.<sup>567</sup> It became operational during 2005.<sup>568</sup>

**896.** In December 2007, the PCRU was renamed the Stabilisation Unit (SU).<sup>569</sup>

**897.** The PCRU and the SU focused their activity on Afghanistan. They made limited but valuable contributions in Iraq.

**898.** Since 2007, the SU has continued to evolve in response to the strategic and policy framework established by:

- the 2008 and 2010 National Security Strategies (NSSs);
- the 2010 Strategic Defence and Security Review (SDSR); and
- the 2011 Building Stability Overseas Strategy (BSOS).

## The Post-Conflict Reconstruction Unit

**899.** On 16 September 2003, Mr Straw, Mr Hoon and Baroness Amos discussed post-conflict planning and preparation. A number of papers, including a joint FCO/DFID/MOD paper on post-conflict reconstruction, had been prepared beforehand.<sup>570</sup>

**900.** Mr Straw highlighted the contrast between the UK's preparation for domestic crises and post-conflict situations. More needed to be done to "get ahead of the curve".

**901.** Mr Hoon highlighted the absence of any civilian equivalent to military planning. The UK should aim for international agreement on the civilian resources and skills needed and where they were available.

**902.** Baroness Amos emphasised the need first to "link up" across government and to learn lessons from previous interventions.

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<sup>566</sup> Paper [unattributed], 17 September 2003, 'Meeting of Secretaries of State for Foreign Affairs, Defence and International Development – 16 September 2003 at 2.15pm'.

<sup>567</sup> Minute [DFID junior official] to Drummond, 29 June 2005, 'PCRU Update Meeting with the PUSS, 21 June'.

<sup>568</sup> House of Commons, *Official Report*, 21 July 2005, column 155WS.

<sup>569</sup> Paper Stabilisation Unit, December 2007, 'Stabilisation Unit'.

<sup>570</sup> Paper [unattributed], 17 September 2003, 'Meeting of Secretaries of State for Foreign Affairs, Defence and International Development – 16 September 2003 at 2.15pm'.

**903.** Other points made in discussion included:

- the possibility of using Territorial Army (TA) training and pre-deployment centres for civilians involved in post-conflict work;
- the critical importance of policing and security;
- the possibility of establishing contingency arrangements to make it easier to start preparing earlier for post-conflict operations; and
- the importance of building capacity elsewhere, including in the UN and EU.

**904.** The three Ministers agreed that officials should:

- review the UK's approach to planning and preparing for post-conflict situations at the national level and then look at influencing others, with the EU a high priority;
- consider setting up an inter-departmental "co-ordinating mechanism", look at the tools needed and consider how to spread best practice; and
- take into account the resource implications.

**905.** On 28 November, Mr John Sawers, FCO Political Director, informed Sir Nigel Sheinwald, Mr Blair's Foreign Policy Adviser, that FCO, DFID and MOD officials were preparing a paper for discussion by Ministers in January 2004.<sup>571</sup> Mr Sawers identified three main issues to address:

- a. how we improve the UK performance in this area;
- b. how we help improve the international effort – especially in the UN;
- c. what our training and personnel management needs are."

**906.** A trilateral FCO/MOD/DFID working group agreed on 7 January 2004 to focus on "the gap that has been identified in terms of planning for the initial implementation post-conflict phase".<sup>572</sup>

**907.** Officials presented a paper setting out recommendations for the "better planning, implementation and management of the UK's contribution to post-conflict reconstruction" to DOP on 12 February.<sup>573</sup>

**908.** The paper, already agreed by Mr Straw, Mr Benn and Mr Hoon, recommended setting up an inter-departmental Post-Conflict Reconstruction Unit (PCRU) with a double remit:

- "Policy: developing government strategy for post-conflict reconstruction linked into concomitant military and humanitarian planning, the wider international

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<sup>571</sup> Letter Sawers to Sheinwald, 28 November 2003, 'Foreign Policy Strategy Group: First Meeting' attaching Paper [unattributed and undated], 'Post Conflict Reconstruction'.

<sup>572</sup> Paper [unattributed and undated], 'Post Conflict Reconstruction Trilateral Working Group: Meeting at the Royal Artillery, Woolwich on 7 January 2004'.

<sup>573</sup> Letter Owen to Fergusson, 5 February 2004, 'Post Conflict Reconstruction: Paper for the DOP, 12 February' attaching Paper [unattributed and undated], 'Post Conflict Reconstruction'.



community (separate from the broader political process underlying the need for intervention) and best practice.

- **Executive:** implementing and managing the UK's contribution to post-conflict reconstruction, including the identification and training of civilian personnel and the maintenance of databases, with deployable capability.”

**909.** Four options were proposed:

- a small non-permanent secretariat with a co-ordinating function;
- a small permanent unit of 15-18 people to inform strategy and devise operational plans;
- a unit of 40-50, with a component able to deploy alongside armed forces (the recommended option); and
- a large, permanent department of 150-200 of whom about half could be deployed.

**910.** DOP agreed the proposed remit and to a scale somewhere between options two and three.<sup>574</sup> DOP did not envisage that the unit itself should have a deployable capacity.

**911.** Officials sent a second paper, setting out detailed structures and already agreed by Mr Straw, Mr Benn and Mr Hoon, to DOP on 23 July.<sup>575</sup>

**912.** The paper proposed that:

“The PCRU will bring together financial, analytical, planning and personnel resources that in the past have been distributed across government. This will enable HMG to:

- **Integrate planning** for the military and civilian components of any intervention ... Advance planning for post-conflict reconstruction should influence military planning ... and force composition ...
- **Co-ordinate with the international community and burden-share** ...
- **Identify resources in advance** ... Honeymoon periods in PCR situations are short. Failing to deliver a rapid and demonstrable improvement in the quality of life to the local population can have a negative impact ...”

**913.** The paper proposed that DFID would host the PCRU and meet administrative and running costs to the end of financial year 2007/08.

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<sup>574</sup> Letter Fergusson to Drew, 19 February 2004, 'Post-Conflict Reconstruction: Follow Up to DOP'.

<sup>575</sup> Paper [Cabinet Office], 20 July 2004, 'DOP paper on the Post Conflict Reconstruction Unit'.

**914.** The paper explained that there had been “substantial discussion” between departments over governance and accountability. The proposed arrangements took into account the need for:

- policy and strategy decisions to be taken inter-departmentally (policy would be set jointly by departments through a Cabinet Office-chaired steering group, reporting to a DOP Sub-Committee chaired by the Foreign Secretary); and
- financial accountability to be the preserve of the DFID Permanent Secretary as Accounting Officer for DFID funds.

**915.** The paper stated that PCRU staffing would grow over two to three years to become fully operational with a core staff of about 40. It would have “an additional surge capacity and deployable element drawn from volunteers from across Whitehall, NGOs and the private sector”. The proposed size reflected:

“... the need to support the likely scales of effort and concurrency of UK military deployments as reflected in the Defence White Paper: one enduring minimum deployment (e.g. the Balkans or Iraq) plus either two enduring small-scale deployments (e.g. Sierra Leone or Mozambique flood relief) or one short-term medium deployment (e.g. Afghanistan).”

**916.** On 6 September, Sir Nigel Sheinwald informed members of DOP and Sir Andrew Turnbull, the Cabinet Secretary, that Mr Blair was content with the management arrangements set out in the July DOP paper. Mr Blair believed the PCRU should be “lean”, with an ability to surge when required, and wanted staffing to be kept under review.<sup>576</sup> The Cabinet Office would now start to establish the necessary committee structures.

**917.** Mr Benn informed Parliament on 16 September of “the Government’s intention to improve the United Kingdom’s capacity to deal with immediate post-conflict stabilisation, including by integrating civilian and military policy, planning and operations”.<sup>577</sup> The FCO, the MOD and DFID were working closely to develop the capabilities that were needed and expected to be in a position formally to establish the PCRU later in the year.

**918.** The PCRU was established in September 2004.<sup>578</sup>

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<sup>576</sup> Letter Sheinwald to Malik, 6 September 2004, ‘Lessons of Iraq: Whitehall Responses’.

<sup>577</sup> House of Commons, *Official Report*, 16 September 2004, column 173WS.

<sup>578</sup> Minute [DFID junior official] to Drummond, 29 June 2005, ‘PCRU Update Meeting with the PUSS, 21 June’.

**919.** In March 2005, the House of Commons Defence Committee expressed concern that the PCRU might not achieve its initial operating capability by the target date of spring 2005.<sup>579</sup> Issues still to be resolved included:

- identification of the best department to manage the deployment of civilian police officers;
- the need for the PCRU to operate in “a genuinely cross-departmental manner” and not as “the advocate of a particular department’s priorities”; and
- provision of the funding needed not only to establish itself but to pay for deployments.

**920.** On 4 May 2005, Mr Neil Crompton, the departing Head of the IPU, expressed doubts to Mr Sawers about the PCRU’s ability to achieve everything expected of it:

“MOD frustration with the pace of reconstruction has been a cause of much tension within Whitehall. The creation of the PCRU should help resolve some of the issues, but I doubt that it will solve the problem completely, HMG as a whole has lost the old ODA [Overseas Development Agency] ability to ‘fix things’. DFID no longer regard this as core business. Civilians and contractors have to operate under tight security rules which prevent them operating at the required pace in environments like Iraq.

“Part of the solution is for MOD to regard post-conflict reconstruction as their core business ... MOD need to follow US practice and develop civil affairs battalions ...

“In parallel, we need to sell the notion that military assets (particularly transport) belong to HMG as a whole and that decisions on how they are deployed should be determined by HMG, rather than MOD/PJHQ on the basis of military priorities ... We [FCO] and DFID should be involved in the force level review process in a more formal way than our participation in Chiefs of Staff allows, so that wider considerations are taken into account. PJHQ will resist – but we should persist.”<sup>580</sup>

**921.** Mr Sawers shared Mr Crompton’s scepticism about the PCRU, but suggested that it would need to be tested in a real crisis.<sup>581</sup> He added:

“The MOD’s resistance to doing civilian reconstruction has been a problem and I am attracted by your proposal that they should develop civil affairs battalions who can actually restore basic services in a post-conflict environment. With DFID’s near exclusive focus on poverty, and as you say their inability these days to ‘fix things’, it is always going to be difficult to get DFID to wholeheartedly commit to underpinning the political objectives of HMG. MOD is more resource constrained than DFID but this is an area worth exploring with the new Defence Secretary.”

<sup>579</sup> Sixth Report from the Defence Committee, Session 2004-05, *Iraq: An Initial Assessment of Post-Conflict Operations*, HC 65-1, paras 267-270.

<sup>580</sup> Minute Crompton to Sawers, 4 May 2005, ‘Iraq Reflections’.

<sup>581</sup> Minute Sawers to Crompton, 9 May 2005, ‘Iraq: Reflections’.

**922.** On 21 June, Mr Paul Schulte, Head of the PCRU, updated Mr Suma Chakrabarti, DFID Permanent Secretary, and Mr Drummond on progress setting up the Unit, explaining that it had expanded rapidly since being established in September 2004:

- 27 permanent staff had been appointed and recruitment was nearly complete;
- the PCRU had created a database of deployable civilian experts;
- progress had been made on a number of framework agreements to allow timely provision of services; and
- work on assessment and planning tools was well under way.<sup>582</sup>

**923.** Mr Schulte reported that a number of proposals for operational work were being considered, including in Afghanistan and Sierra Leone.

**924.** Mr Drummond cautioned against widening the PCRU's remit beyond stabilisation activities where UK forces were deployed.

**925.** Mr Chakrabarti asked to see a list of operations being considered and an explanation of how decisions were being made.

**926.** An internal review of the PCRU's first months, produced for Mr Schulte in July 2005, recommended a number of changes to the Unit and its remit.<sup>583</sup>

The recommendations included:

- greater engagement with multilateral operations;<sup>584</sup> and
- promoting a new approach to civilian force generation to replace what remained an "unsystematic and largely ad hoc process" for identifying, recruiting and deploying personnel.<sup>585</sup>

**927.** Mr Benn updated Parliament on 21 July:

"I wish to inform parliament of the establishment and current capabilities of the Post-Conflict Reconstruction Unit (PCRU). The PCRU is an inter-departmental unit, which has been set up by our three departments to improve the United Kingdom's capacity to contribute to the creation of a stable environment in countries emerging from conflict. The Unit's work is overseen by the Defence and Overseas Policy (Conflict and Reconstruction) Committee, chaired by the Foreign Secretary.

"The PCRU has been established to carry out two main tasks: first, to develop government strategy for post-conflict stabilisation, which includes linking military and civilian planning, as well as working with the wider international community for

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<sup>582</sup> Minute [DFID junior official] to Drummond, 29 June 2005, 'PCRU Update Meeting with the PUSS, 21 June'.

<sup>583</sup> Minute Astle and Korski to Schulte, 14 July 2005, 'PCRU – A Look Ahead'.

<sup>584</sup> Minute Astle and Korski to Schulte, 14 July 2005, 'Strategic Discussion Paper 1 – PCRU Concept of Operations'.

<sup>585</sup> Minute Astle and Korski to Schulte, 14 July 2005, 'Strategic Discussion Paper 3 – Civilian Force Generation'.

the spread of best practice, capacity building and burden sharing; and, secondly, to plan and direct activities to create stability in post-conflict environments in the period immediately following the cessation of hostilities.

“The PCRU is nearly fully staffed and has reached an initial capacity to plan for, and support, stabilisation activities. The Unit is building up a database of civilian experts who can be deployed. It is also developing methods to help the Government reach an understanding of, and plan responses to, individual conflicts. In addition the Unit is writing a series of guidance papers on a range of specific issues that may need to be tackled in post-conflict situations, such as security sector reform and governance. The PCRU is also developing links with international organisations and other Governments to ensure that the UK’s efforts are part of a co-ordinated contribution to the international response to conflict. I expect the PCRU to be able, if necessary, to plan and organise a large-scale deployment of up to several hundred civilians, including police, as part of a post-conflict stabilisation operation by mid-2006.”<sup>586</sup>

**928.** In his valedictory report on leaving the PCRU in December 2005, Mr Schulte described it as “the most sophisticated and integrated arrangement we know of”, presenting “a significant opportunity to influence international – and particularly American and EU – thinking and practice”.<sup>587</sup> But there had been difficulties, including finding people with the right experience and skills who were willing to join an unproven organisation and could be released quickly from their current jobs. There had also been “departmental sensitivities over responsibilities and boundaries”.

**929.** Mr Schulte concluded:

“... senior support will remain crucial for some time to ensure successful PCRU involvement in cross-Whitehall work. The Unit relies critically upon the development of coherent and effective cross-departmental working relationships. But they all impose costs and demands on the staff time of others. We have learned that it is sometimes difficult to persuade colleagues to take this on without direction from within their own organisations.”

**930.** A second internal review of the PCRU was carried out at the request of PCRU Directors in January and February 2006.<sup>588</sup> Directors agreed the recommendation for a new statement of the PCRU’s role to reflect the experience of its first year:

“... to provide HMG and its partners with integrated assessment and planning, and operational expertise, to deliver more effective stabilisation operations.”<sup>589</sup>

<sup>586</sup> House of Commons, *Official Report*, 21 July 2005, column 155WS.

<sup>587</sup> Minute Schulte to Drummond, 19 December 2005, ‘Valedictory Note’.

<sup>588</sup> Paper PCRU, March 2006, ‘PCRU Internal Review – Key Findings’.

<sup>589</sup> Paper PCRU, July 2006, ‘Principles for determining where PCRU deploy, what it funds and for how long’.

## THE PCRU AND IRAQ

**931.** From autumn 2005, the PCRU looked for ways to support existing UK stabilisation operations while continuing to build capacity to undertake possible “but very unlikely” future large-scale deployments.<sup>590</sup>

**932.** At the request of the FCO, the PCRU provided a temporary head for the Political Section at the British Embassy Office Basra from 9 to 23 December 2005.

**933.** During March 2006, a member of the PCRU undertook a scoping study for the UK-led Basra Provincial Reconstruction Team (PRT), which became operational during May (see Section 10.2).

**934.** In April 2006, no UK department or international partner, including the US, had a budget for PRT running costs. The PCRU filled the gap.<sup>591</sup> It agreed to recruit and fund three staff for a six-week period, including Mr Mark Etherington, the PRT Team Leader, while discussions continued on funding.<sup>592</sup>

**935.** In July 2006, the PCRU’s support to the Basra PRT was extended to July 2007, at a total cost of £758,000. Most work was expected to be completed by December 2006.<sup>593</sup>

**936.** In late July 2006, Mr Richard Teuten, Mr Schulte’s successor as Head of the PCRU, visited Baghdad and Basra to understand better the stabilisation challenges in Iraq, assess the PCRU contribution and raise awareness of what the PCRU could offer.<sup>594</sup>

**937.** In September 2006, Mr Teuten reported that, in relation to Iraq, the PCRU had:

- supported PRT management from London;
- provided funding up to December 2006 for three Deployable Civilian Experts (DCEs): the PRT Team Leader and two support officers;
- helped identify a civilian expert to set up a Prosecution Mentoring Unit in Basra;
- identified and funded a specialist to design a communications strategy in support of the UK’s Southern Iraq Steering Group; and

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<sup>590</sup> Paper PCRU, July 2006, ‘Principles for determining where PCRU deploy, what it funds and for how long’.

<sup>591</sup> Minute Middle East and North Africa Department [junior official] to Private Secretary [DFID], 19 April 2006, ‘DOP(I) Briefing, 19 April 2006’ attaching Paper MENAD, 19 April 2006, ‘Iraq Update’.

<sup>592</sup> Minute PCRU [junior official] to Private Secretary [DFID], 25 April 2006, ‘Information Note: Basra Provincial Reconstruction Team & PCRU’.

<sup>593</sup> Paper Post Conflict Reconstruction Unit, July 2006, ‘Project Memorandum: PCRU Support for HMG Engagement in Iraq’.

<sup>594</sup> Minute Teuten to PCRU [junior official], 31 July 2006, ‘Visit to Baghdad and Basra 19-25 July’.

- begun a review of PRT management and support arrangements, comparing Basra and Helmand (Afghanistan).<sup>595</sup>

**938.** The Basra/Helmand review was one of two Iraq-related reports produced by the PCRU in 2006:

- ‘Provincial Reconstruction Teams (PRTs) in Iraq and Afghanistan – A Comparison’;<sup>596</sup> and
- ‘Refocusing civilian efforts in Basra in the run up to PIC [Provincial Iraqi Control]’.<sup>597</sup>

## The Stabilisation Unit

**939.** In December 2007, the PCRU was renamed the Stabilisation Unit (SU), reflecting the emergence of the broader concept of stabilisation and the Unit’s new role managing a £269m MOD Stabilisation Aid Fund announced as part of the September 2007 Comprehensive Spending Review.<sup>598</sup>

**940.** The SU’s key tasks were:

- assessment and planning: helping departments “plan together so there is a single UK aim and strategic framework”;
- deployments: providing experienced civilian personnel; and
- lesson learning: identifying and sharing best practice in the UK and internationally.

**941.** Afghanistan was the principal focus. On 12 December, Mr Brown announced in Parliament that the UK would make available £450m in development and stabilisation assistance for Afghanistan for 2009-2012, part of which would help fund:

“... Britain’s new cross-government Stabilisation Unit, which has Afghanistan as its first priority, and which, with a global budget of £260m over the next three years, will drive forward reconstruction projects and provide expert civilian support to rebuild basic services.”<sup>599</sup>

<sup>595</sup> Minute Teuten to Drummond, 26 September 2006, ‘PCRU Directors’ Board Meeting: 2 October 2006’ attaching Paper PCRU, 27 September 2006, ‘PCRU Headline Achievements: August-September’ and Paper PCRU, September 2006, ‘PCRU: Lessons Learning and Evaluation’.

<sup>596</sup> Minute Teuten to PS/Minister(AF), 17 November 2006, ‘Provincial Reconstruction Teams (PRTs) in Iraq and Afghanistan – A comparison’ attaching Paper PCRU, ‘Review of Provincial Reconstruction Teams (PRTs) in Iraq and Afghanistan’.

<sup>597</sup> Report PCRU/DFID, 19 December 2006, ‘Refocusing civilian efforts in Basra in the run up to PIC’.

<sup>598</sup> Paper Stabilisation Unit, December 2007, ‘Stabilisation Unit’.

<sup>599</sup> House of Commons, *Official Report*, 12 December 2007, columns 305-306.

**942.** During 2008 and 2009, the SU produced three reports on Iraq, described in more detail in Section 10.2:

- a review of the Basra PRT;<sup>600</sup>
- a strategic review of the Governorates Capacity Building Project;<sup>601</sup> and
- a joint paper with the MOD Development, Doctrine and Concepts Centre on civilian-military relations in Basra.<sup>602</sup>

### **The Cabinet Office Task Force Review of Stabilisation and Civil Effect**

**943.** On 19 March 2008, during a statement to Parliament on the launch of the UK's National Security Strategy, Mr Brown announced that:

“... the National Security Strategy proposes a new departure – and again, it is a lesson learned from recent conflicts ranging from Rwanda to Bosnia to Iraq, Afghanistan and Somalia. It proposes to create a stand-by international civilian capability so that for fragile and failing states, we can act quickly and comprehensively by combining the humanitarian, peacekeeping, stabilisation and reconstruction support that those countries need. In the same way as we have military forces ready to respond to conflict, we must have civilian experts and professionals ready to deploy quickly to assist failing states and to help rebuild countries emerging from conflict, putting them on the road to economic and political recovery.

“I can tell the house that Britain will start by making available a 1,000-strong UK civilian stand-by capacity that will include police, emergency service professionals, judges and trainers. I am calling on EU and NATO partners to set high and ambitious targets for their contributions to such a force.

...

“In order to maximise our contribution to all the new challenges of peacekeeping, humanitarian work and stabilisation and reconstruction, the Secretary of State for Defence is also announcing this afternoon that, as part of a wider review, the Government will now examine how our reserve forces can more effectively help with stabilisation and reconstruction in post-conflict zones around the world.”<sup>603</sup>

**944.** The Cabinet Office launched the Stabilisation Task Force Review of Stabilisation and Civil Effect (shortened to Cabinet Office Task Force (COTF)) in June 2008.<sup>604</sup>

<sup>600</sup> Paper Stabilisation Unit, 3 September 2008, ‘Review of the Basra Provincial Reconstruction Team’.

<sup>601</sup> Paper Stabilisation Unit, November 2008, ‘Strategic Review of DFID Governorates Capacity Building Programme’.

<sup>602</sup> Paper Stabilisation Unit and Development, Doctrine and Concepts Centre, 27 February 2009, ‘Civilian-Military Relations in Basra’.

<sup>603</sup> House of Commons, *Official Report*, 19 March 2008, columns 927-928.

<sup>604</sup> Letter Aldred to Gould, 24 July 2008, ‘Stabilisation and Deployed Civil Effect’ attaching Paper Stabilisation Review Team, 27 June 2008, ‘Stabilisation and Deployed Civil Effect’.



**945.** Ms Margaret Aldred, Deputy Head of the Overseas and Defence Secretariat (OD Sec) in the Cabinet Office, sent an interim report to departments on 24 July.

**946.** Ms Aldred explained the background to the Review:

“The UK’s current civil effect capability has developed without a clear long-term strategy, and more specific guidance is required on what our capability goals should be. Our assessment is that existing mechanisms do not provide confidence that current activity is effective (in terms of the skills and experience of the personnel deployed) or sustainable (in terms of our ability to maintain current commitments indefinitely). Moreover, there is no robust basis on which we could calculate our “standby” or “total” capacity – of civil servants, police or contractors/consultants. If we are to make real progress then we need to agree broad policy objectives for the capability around which we can design effective structures (or improve existing ones).”

**947.** The interim report proposed definitions of “stabilisation” and “civil effect” to define the scope of the review:

“‘Stabilisation’ is support to places emerging from violent conflict in:

- preventing or reducing violence;
- protecting people and key institutions;
- promoting political processes which lead to greater stability; and
- preparing for longer-term development and non-violent politics.

‘Civil effect’ is activity to build public confidence and support for an enduring peace and focuses on the ‘survival functions’ of a state:

- public order and the rule of law;
- basic public services; and
- economic stability.

For success, an integrated effort – bringing together the efforts of civilian agencies (including multilateral), military and local partners – is required.”

**948.** The interim report proposed a capability that would:

- support joint civil-military stabilisation operations with at least 100 civilians and 50 police continuously deployed;
- make a further contribution of up to 100 civilians and 100 police to a wider range of multilateral deployments;
- identify at least 1,000 personnel as a “UK Civilian Standby Capability”; and
- incorporate a “Stabilisation Volunteer Network” able to draw on a wider range of volunteers than existing mechanisms.

**949.** The report emphasised that funding issues would need to be resolved. Such a capability would cost between £8m and £10m a year to maintain, with additional and more substantial deployment costs.

**950.** On the multilateral response, the interim report recommended establishing a shared international assessment of need, leading by example in seeking agreed national targets for contributions, and seeking to improve international structures.

**951.** The Cabinet Office produced a supplementary report on 5 September.<sup>605</sup> The report proposed four options:

- the status quo: about 270 civilian personnel deployed at an estimated annual cost of £70m to £90m;
- a UK standby capacity able to deploy up to 350 better qualified personnel, costing £98m to £140m per year;
- an expanded standby capacity able to deploy 550 personnel, costing £122m to £171m; or
- a Civilian Reserve Corps of around 2,500 able to deploy 500 personnel at any one time, at significant additional cost.

**952.** The final paper, reflecting discussions between Sir Gus O'Donnell, Sir Andrew Turnbull's successor as Cabinet Secretary, and the FCO, MOD and DFID Permanent Secretaries, was produced for NSID(OD) on 21 January 2009.<sup>606</sup>

**953.** The paper stated that, although the UK's performance was improving as previous reforms and learning from operational experience took effect, the review had identified a number of problems:

“Whitehall structures to deliver civil effect are currently fragmented. MOD, DFID, FCO and the Stabilisation Unit each deploy personnel to stabilisation and civil effect missions. Problems include the lack of single-point accountability for stabilisation policy, objectives, capability and delivery in Whitehall: multiple and poorly co-ordinated mechanisms for resourcing civil effect; no effective unified performance management of individuals; little effective measurement of the overall impact of civil effect; no cross-Whitehall register of available skills; limited UK civil effect planning capability; and a SU role that lacks clarity, focus and authority.”

**954.** The paper's recommendations included:

- creation of a Civilian Standby Capacity (CSC) from at least 1,000 civilians and a further 500 police, to provide a capability to deploy continuously at least 350 pre-trained personnel;

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<sup>605</sup> Paper Stabilisation Review Team, 5 September 2008, 'Review of Stabilisation and Deployed Civil Effect, Capability Options'.

<sup>606</sup> Letter Aldred to Gould, 16 January 2009, 'Civil Effect' enclosing Paper Cabinet Office, [undated], 'Stabilisation and Deployed Civil Effect'.

- expansion and refocusing of the SU, under Director-level leadership, to become the single government delivery unit for civil effect with an enhanced planning capacity and rapid response capability;
- DFID to take increased responsibility for the SU and the CSC;
- the SU to lead delivery of civil effect on operations, but conflict and regional policy to remain a joint Cabinet Office/FCO/DFID/MOD responsibility;
- establishment of a cross-Whitehall Civil Service Stabilisation Cadre (CSSC), initially of at least 200 personnel;
- development of a new International Police Assistance Group (IPAG);
- creation of a Stabilisation Volunteer Network (SVN) to widen substantially the range of potential volunteers available; and
- the MOD to identify members of the Armed Forces Volunteer Reserves with relevant skills to be available to deploy as part of the CSC.

**955.** The review made no specific recommendations on enhancing multilateral stabilisation capacity, but stated:

“A significant UK commitment to develop enhanced national civilian capabilities ... will put us in a stronger position to argue for ambitious new capability targets for civilian deployable capacity, and to galvanise other contributions to improve the effectiveness of multilateral stabilisation and early recovery capabilities.”

**956.** The review explained that previous efforts to strengthen capabilities had “lacked the strategic drive, authority and resources to overcome the obstacles encountered”. Short-term operational requirements had diverted attention from medium-term capability development. An implementation team would therefore be set up before the end of February.

**957.** Sir Gus O’Donnell commented on 20 January that, while he agreed with the report, it had:

“... taken some time to get inter-departmental agreement on the way ahead ... I hope that departments will now be able to devote the energy and resources to this issue which will be essential if we are to have significant progress to report on delivery of real capability when the update of the National Security Strategy is published before the Summer Recess.”<sup>607</sup>

**958.** Ministers agreed the recommendations in the Cabinet Office review on 21 January.<sup>608</sup>

**959.** Dr Nemat Shafik, Sir Suma Chakrabarti’s successor as DFID Permanent Secretary, replied to Sir Gus O’Donnell on behalf of DFID, the FCO and the MOD.

<sup>607</sup> Letter O’Donnell to Gould, 20 January 2009, ‘Civil Effect’.

<sup>608</sup> Letter Shafik to O’Donnell, 16 February 2009, ‘Civil Effect’.

She explained that DFID had already taken increased responsibility for the SU. The DFID Director chairing the SU Board would act as Senior Responsible Officer for the Unit and be responsible for developing capability and overall performance. More broadly, departments had agreed that the SU Board needed to provide “more active governance and direction” for the Unit than had been the case in the past.

**960.** In October 2009, the SU took over responsibility from the FCO for managing the deployment of civilians and police officers to international missions.<sup>609</sup>

**961.** The MOD, FCO and DFID produced a joint memorandum on progress against the recommendations in the Cabinet Office review for the House of Commons Defence Committee in December 2009.<sup>610</sup> The joint memorandum stated:

“A 1,000 strong civilian capability (of whom 200 can be deployed at any one time) has been developed ahead of schedule; greater capacity for planning and rapid reaction in [the] Stabilisation Unit will be in place by the December [2009] target date; and progress has also been made on deployment of military Reservists in a civilian capacity and police deployments. The additional capabilities have been developed at a significantly lower cost than originally envisaged.”

**962.** In a brief reference to Iraq, the joint memorandum stated:

“... SU managed consultants to support capacity building in Basra International Airport, leading to the handover to Iraqi control in January 2009, improved the effectiveness of donor support in rule of law nationally and undertook a series of reviews to improve the effectiveness of the Basra PRT and identify future lessons.”

**963.** In August 2010, the Royal United Services Institute (RUSI) published a review of the Government’s progress in promoting stability in countries emerging from conflict.<sup>611</sup> The review was written by Mr Richard Teuten, a Senior Visiting Fellow at RUSI and a former Head of the PCRU, and Mr Daniel Korski, Senior Policy Fellow at the European Council of Foreign Relations and a former Deputy Head of the PCRU.

**964.** The review concluded that, between 2005 and 2010, a drive towards greater inter-departmental co-operation had led to a number of institutional innovations, an increase in the resources available for stabilisation, new cadres of practitioners and

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<sup>609</sup> Briefing Stewart, [undated], ‘From Iraq to Afghanistan – The evolution of “Stabilisation”’.

<sup>610</sup> Seventh Report from the Defence Committee, Session 2009-10, *Third supplementary memorandum from the Ministry of Defence, the Foreign and Commonwealth Office and the Department for International Development: Strengthening of the Stabilisation Unit and implementation of the Cabinet Office Task Force review of stabilisation and civil effect, 15 December 2009.*

<sup>611</sup> R. Teuten and D. Korski, *Preparing for Peace. Britain’s Contribution and Capabilities*, RUSI, 2010.

improved co-ordination in-country, but that the UK was “not yet delivering on its full potential to engage in fragile states”. Five issues were highlighted:

“The first has been a mismatch between ambitions and resources ... a gap existed between what was expected by Cabinet Ministers and promised to the public, and what was resourced by way of programmes and capabilities ...

“The second concerns the mechanisms for the allocation of resources ... and the decisions on relative priorities ... The current system pushes effort towards current crises at the expense of forestalling future crises [and] perpetuates an imbalance between the use of military and civilian tools ...

“The third problem is the fact that loyalty remains to departments rather than to the Government as a whole ... Pooled funding arrangements account for only a small proportion of resources devoted to fragile states.

...

“Fourth, there are still areas where the UK’s ability to send the right people ... to work in hostile environments needs to be on a more sustained and reliable footing ... The gap between government ambition and UK capability on policing, for example, has if anything grown rather than diminished.

“Fifth and finally ... Lessons are recorded and stored by the MOD, DFID, the Foreign Office and academia, but rarely dusted off when new decisions have to be made at Ministerial or official level.”

**965.** In November 2010, the SU produced a paper on lessons learned from the UK’s growing experience of stabilisation activities.<sup>612</sup> Designed to “provide policymakers and practitioners with accessible material, which conveys both the breadth and depth of challenges facing the UK and other international partners”, the lessons included the need to:

- exercise caution when transferring lessons from one conflict to another;
- ensure that economic and development objectives complement and support efforts to promote a peaceful political process (an effective response required understanding of multiple political interests and how they are leveraged to impede or facilitate stabilisation);
- form a single multi-disciplinary and multi-departmental team;
- implement activities in a way that builds on local culture, context and the operating environment;
- adopt a flexible and adaptive approach to monitoring and evaluation;
- secure community engagement;

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<sup>612</sup> Paper Stabilisation Unit, November 2010, ‘Responding to Challenges in Hostile and Insecure Environments: Lessons Identified by the UK’s Stabilisation Unit’.

- apply rigorous quality assurance in selecting the right people;
- recognise non-state forms of local governance, security, justice and dispute resolution that are often more familiar and meaningful to most of the population than state-wide government; and
- adopt a two-speed approach to security (short-term stabilisation, principally through local actors, at the same time as creating the conditions for longer-term security sector reform).

**966.** Sir Gus O'Donnell and Sir Peter Ricketts, the National Security Adviser, sent an update on the SU to the Inquiry on 19 January 2011.<sup>613</sup> They reported that:

- 1,289 civilians had been approved for the Civilian Stabilisation Group (CSG), including 1,012 Deployable Civilian Experts (DCE) and 277 members of the CSSC;
- the SVN now included the Local Government Association (LGA), the National Health Service (NHS), private sector companies and a number of NGOs;
- the MOD and the SU continued to discuss the best ways of identifying Reservists' civilian skills and increasing interoperability;
- now the SU was responsible for international secondments and police deployments, it was the sole government delivery unit for civil effect;
- the SU could provide planning support to UK operations with or without a UK military presence, and to international partners;
- the SU would take the lead in establishing Stabilisation Response Teams (SRTs), the joint civilian-military capability announced in the 2010 SDSR; and
- a new International Police Assistance Group (IPAG) had been formed in September 2009 to develop more robust arrangements for delivering police capabilities for civil effect. A pool of 125 police officers was now on standby for deployment for stabilisation efforts.

**967.** The Building Stability Overseas Strategy (BSOS) was published in July 2011 by DFID, the FCO and the MOD.<sup>614</sup> The three departments undertook to strengthen their integrated approach to tackling instability and conflict by increasing the integration of skills and capacities across government. Those included:

- strong intelligence and assessments;
- diplomacy;
- development work;
- defence engagement;
- promotion of trade and open markets; and
- the SU.

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<sup>613</sup> Statement, 19 January 2011, Annex C.

<sup>614</sup> DFID, FCO and MOD, July 2011, *Building Stability Overseas Strategy*.

**968.** The BSOS stated that the SU could:

“... respond rapidly to conflict or pre-conflict situations on behalf of the Government, and in partnership with other key players. The Unit draws upon expertise from across government, the police and the military to deliver these outcomes. It also manages the Civilian Stabilisation Group of over 1,000 civilian experts from the public and private sector with critical stabilisation skills and expertise.”

**969.** The MOD told the Inquiry in 2013 that Reservists mobilised through the Military Stabilisation Support Group (MSSG) were routinely employed by the SU in a civilian capacity in the CSG.<sup>615</sup> The MOD explained that the MSSG provided a full-time Regular Liaison Officer to the SU. The Commander of MSSG was a member of the SU Management Board and attended the Building Stability Overseas Board as an observer.<sup>616</sup>

**970.** ‘The UK Government’s Approach to Stabilisation (2014)’, published by the SU in May 2014, listed four characteristics of the Government’s approach:

- Any action “will be planned and implemented with an overtly political objective in mind, ideally with a means of identifying success and a process of transition to longer-term recovery”. In some environments the political need to act might make things worse in the short term.
- It will be integrated and civilian-led, unifying effort across government, including when there are military-led tasks such as patrols to bolster security.
- It will be “flexible and targeted” and can be applied in a state or part of a state affected by violent political conflict.
- Stabilisation “will be transitory but cannot afford to be short term in outlook or objectives” and “must be planned or implemented with reference to other parallel or longer-term engagement”.<sup>617</sup>

**971.** The SU paper listed three “mutually reinforcing components of stabilisation”:

- protecting political actors, the political system and the population;
- promoting, consolidating and strengthening political processes; and
- preparing for longer-term recovery.

**972.** The SU used the example of Iraq to illustrate the importance of security as one of the three components:

“... the disbanding of the Iraqi security forces after the US-led invasion in 2003 meant that large numbers of previously enfranchised Sunnis at senior and junior levels now had no role in the new Iraqi state. This not only created a security

<sup>615</sup> Letter Ryan to Aldred, 7 June 2013, ‘Deployment of Military Reservists in a Civilian Role’.

<sup>616</sup> Letter Ryan to Aldred, 17 September 2013, ‘Deployment of Military Reservists in a Civilian Role’.

<sup>617</sup> Paper Stabilisation Unit, May 2014, ‘The UK Government’s Approach to Stabilisation (2014)’.

vacuum which Allied forces did not have the capacity to fill but also resulted in alienation of the former army. This actively contributed to deterioration in security, hampered political progress and was a factor leading to the subsequent insurgency ...”

**973.** In 2014/15, the SU was based in the FCO and jointly owned by the FCO, MOD and DFID.<sup>618</sup> It used DFID financial and risk management systems and had a DFID Senior Responsible Officer.

**974.** The SU’s 2014/15 Business Plan explained that the Unit had an operational role across all three pillars of the BSOS:

- early warning;
- rapid crisis prevention and response; and
- investing in upstream prevention.<sup>619</sup>

**975.** The SU’s contribution included:

- being the hub for Joint Analysis of Conflict and Stability (JACS);
- supporting the UK National Security Council (NSC) by facilitating development of cross-government strategies for fragile and conflict-affected states;
- providing high-quality advice on the design and implementation of programmes funded by the Conflict Pool/Conflict, Stability and Security Fund (CSSF);<sup>620</sup>
- supporting the development of monitoring and evaluation guidance;
- capturing and disseminating lessons learned;
- maintaining the CSG database; and
- providing a hub for the Government’s non-operational international policing activity.

## The impact of the PCRU and the SU

**976.** Witnesses to the Inquiry gave conflicting evidence on the impact of the PCRU and the SU.

**977.** Mr Benn told the Inquiry:

“I think the PCRU and now the Stabilisation Unit is a very practical response to a need that has been identified.

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<sup>618</sup> Stabilisation Unit, March 2014, ‘Stabilisation Unit Business Plan 2014-15’.

<sup>619</sup> Stabilisation Unit, March 2014, ‘Stabilisation Unit Business Plan 2014-15’.

<sup>620</sup> The Conflict Pool funded UK conflict prevention, stabilisation and peacekeeping activities in support of the Building Stability Overseas Strategy. In April 2015 it was replaced by the Conflict, Stability and Security Fund (CSSF).



“Of course, it doesn’t provide the whole of the answer, but it means that you are in a better position to do that range of work that is required in these kinds of circumstances. So it is about learning lessons, building capacity to be able to do it better in the future.”<sup>621</sup>

**978.** Lord Walker, Chief of the Defence Staff from May 2003 to April 2006, was critical of the early days of the PCRU. He told the Inquiry that the problem of pulling together the strands of post-conflict activity had been an issue since the Balkans, but the PCRU had gone into “university mode: lots of discussions sitting round the table”.<sup>622</sup>

**979.** Sir Suma Chakrabarti also commented on the PCRU’s difficult start in 2005, but told the Inquiry that its performance had improved during 2006 and 2007, when it became “more focused on operational work, rather than ... policy and strategy, which was left with the three departments”.<sup>623</sup>

**980.** Dr Shafik, who succeeded Sir Suma Chakrabarti as Permanent Secretary at about the time the PCRU became the SU, told the Inquiry that the SU’s contribution in Iraq was “relatively modest, because, by that stage, the numbers of people that we needed to deploy were relatively small”, whereas in Afghanistan it had been “hugely important”.<sup>624</sup> In the early days the Unit had been a “body shop”, but it had “evolved enormously”, becoming “the repository for expertise on how to do stabilisation well” and, as it had built its credibility in Whitehall, starting to lead programmes in Afghanistan.<sup>625</sup>

**981.** Dr Shafik also confirmed that agreement had been reached with the MOD on incorporating military Reservists into the pool of deployable expertise available to the SU. The key was:

“... when people deploy, they have to be clear what they are doing. Are they there as a soldier or are they there as a civilian? I think that distinction of roles is quite important, but tapping into the expertise is a huge potential gain ... if a reservist, for example, happens to have skills in accounting or in agriculture, they can be employed by the Stabilisation Unit, but in their civilian capacity.”

**982.** Ms Lindy Cameron, Head of DFID Baghdad from 2004 to 2005, told the Inquiry that it was only the SU’s work to put civilians on military courses that had eventually begun to undermine some of the military’s preconceptions about DFID. It was not until then “that people realised that actually there was a real intention on DFID’s part to actually make this work collectively”.<sup>626</sup>

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<sup>621</sup> Public hearing, 2 February 2010, page 41.

<sup>622</sup> Public hearing, 1 February 2010, pages 63-64.

<sup>623</sup> Public hearing, 22 January 2010, page 42.

<sup>624</sup> Public hearing, 13 January 2010, page 30.

<sup>625</sup> Public hearing, 13 January 2010, pages 32-34.

<sup>626</sup> Public hearing, 22 June 2010, page 84.



## SECTION 10.4

### CONCLUSIONS: RECONSTRUCTION

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## Introduction and key findings

1. This Section addresses analysis and findings in relation to the evidence set out in Sections 10.1, 10.2 and 10.3 on:

- humanitarian assistance;
- the development and implementation of UK reconstruction policy, strategy and plans;
- the UK's engagement with the US and successive Iraqi Governments on reconstruction;
- the UK's policy on Iraq's oil and oil revenues;
- the Government's support for UK businesses in securing reconstruction contracts;
- debt relief; and
- the reform of the UK's approach to post-conflict reconstruction and stabilisation.

2. This Section does not address:

- planning and preparing to provide humanitarian assistance and reconstruction, which is addressed in Sections 6.4 and 6.5;
- the financial and human resources available for post-conflict reconstruction, addressed in Sections 13 and 15 respectively;
- de-Ba'athification and Security Sector Reform, addressed in Sections 11 and 12 respectively; and
- the development of UK strategy and deployment plans, addressed in Section 9.

3. During the period covered by the Inquiry, the Government used a number of different terms to describe post-conflict activity in Iraq, including "reconstruction". It did not generally define those terms. The Inquiry uses the term "reconstruction" in line with the Government's common usage:

- to include work to repair and build infrastructure, deliver essential services and create jobs;
- to include work to build the capacity of Iraqi institutions and reform Iraq's economic, legislative and governance structures; and
- to exclude Security Sector Reform.

### Key findings

- The UK failed to plan or prepare for the major reconstruction programme required in Iraq.
- Reconstruction was the third pillar in a succession of UK strategies for Iraq. The Government never resolved how reconstruction would support broader UK objectives.
- Following the resignation of Ms Clare Short, the International Development Secretary, and the adoption of UN Security Council resolution 1483 in May 2003, DFID assumed leadership of the UK's reconstruction effort in Iraq. DFID would subsequently define, within the framework established by the Government, the scope and nature of that effort.
- At key points, DFID should have considered strategic questions about the scale, focus and purpose of the UK's reconstruction effort in Iraq.
- The US-led Coalition Provisional Authority excluded the UK from discussions on oil policy and on disbursements from the Development Fund for Iraq.
- Many of the failures which affected pre-invasion planning and preparation persisted throughout the post-conflict period. They included poor inter-departmental co-ordination, inadequate civilian-military co-operation and a failure to use resources coherently.
- An unstable and insecure environment made it increasingly difficult to make progress on reconstruction. Although staff and contractors developed innovative ways to deliver projects and manage risks, the constraints were never overcome. Witnesses to the Inquiry identified some successes, in particular in building the capacity of central Iraqi Government institutions and the provincial government in Basra.
- Lessons learned through successive reviews of the UK approach to post-conflict reconstruction and stabilisation, in Iraq and elsewhere, were not applied in Iraq.

## Pre-invasion planning and preparation

4. When military operations against Iraq began on the night of 19/20 March 2003, the Government had not:

- made contingency preparations for the deployment of more than a handful of UK civilians to Iraq;
- allocated any funding for post-conflict reconstruction;
- drawn up any plans to deliver essential services and reconstruction in the South, in line with the UK's likely obligations as an Occupying Power;
- established mechanisms within Whitehall which could co-ordinate and drive post-conflict reconstruction; or
- allocated responsibility to any department or unit for planning and delivering the UK's contribution to post-conflict reconstruction.

5. Section 6.5 concludes that Ministers, officials and the military continued to assume that the US could act as guarantor of the UK's objectives, including its reconstruction objectives, in Iraq.

6. The Government had established the inter-departmental (FCO/MOD/DFID) Iraq Planning Unit (IPU) on 10 February 2003 to provide "policy guidance on the practical questions" that UK civilian officials and military commanders would face in a post-conflict Iraq.<sup>1</sup> The head of the IPU was a senior member of the Diplomatic Service, who reported to the FCO Director Middle East and North Africa.

7. The creation of the Ad Hoc Group on Iraq (see Section 6.4) in September 2002 and the IPU improved co-ordination across government at official level, but neither body carried sufficient authority to establish a unified planning process across the four principal departments involved – the FCO, the MOD, DFID and the Treasury – or between military and civilian planners.

8. Crucially, with the IPU focused on policy, there remained no department or unit with responsibility for delivering the UK's contribution to the reconstruction effort.

9. After the invasion force had rapidly brought down Saddam Hussein's regime, the UK's six-year engagement in Iraq fell into three broad phases, which the Inquiry has used to provide a simplified framework for describing events:

- **Occupation – March 2003 to June 2004:** during which the UK was formally a joint Occupying Power alongside the US, and Iraq was governed by the US-led Coalition Provisional Authority (CPA);
- **Transition – June 2004 to the end of 2005:** characterised by the increasing power of Iraqi politicians and institutions, and ending with elections and the formation of the Prime Minister Nuri al-Maliki's government; and
- **Preparations for withdrawal – 2006 to 2009:** during which period the UK sought to transfer its remaining responsibilities in Multi-National Division (South-East) (MND(SE)) to Iraqi forces so that it could withdraw its remaining troops.

## Occupation

10. Shortly after the beginning of military operations in Iraq, officials advised that the humanitarian assistance capabilities available in Iraq would be inadequate in the event of a protracted conflict, significant damage to infrastructure or large-scale movements of people. The use of chemical and biological weapons could also trigger a humanitarian disaster.

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<sup>1</sup> Letter Jay to Turnbull, 17 February 2003, 'Iraq Planning Unit' attaching Paper, [undated], 'Proposed Terms of Reference for the tract [sic] Planning Unit'.

**11.** In the event, those scenarios did not materialise. The preparations for large-scale humanitarian assistance made by the international community and, in the South, by the UK military were not tested.

**12.** By the middle of April 2003, DFID was beginning to look beyond humanitarian assistance to recovery and reconstruction.

### Leadership of the UK's reconstruction effort

**13.** When military operations against Iraq began, there was no single Ministerial lead for reconstruction in Iraq. Mr Jack Straw (the Foreign Secretary), Mr Geoff Hoon (the Defence Secretary) and Ms Clare Short (the International Development Secretary) remained jointly responsible for directing post-conflict planning and preparation.

**14.** Ms Short told DFID officials on 26 March 2003 that Mr Blair had given her responsibility for reconstruction in Iraq.

**15.** The following day, Sir Michael Jay, FCO Permanent Under Secretary, and Sir Andrew Turnbull, the Cabinet Secretary, agreed that “it was right that the FCO should take the overall Whitehall lead on reconstruction”, including a Cabinet Committee on reconstruction chaired by Mr Straw.<sup>2</sup> Sir Michael reported his concern that DFID were “still hankering after the leadership of the Iraq reconstruction agenda”.

**16.** In early April, Mr Blair agreed to the creation of the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR), chaired by Mr Straw, “to formulate policy for the rehabilitation, reform and development of Iraq”.<sup>3</sup> The first meeting took place on 10 April.

**17.** The Cabinet Office provided secretariat support for the AHMGIR but responsibility for inter-departmental co-ordination remained with the IPU.

**18.** The creation of the AHMGIR offered the possibility of a more strategic and integrated UK approach to reconstruction, with a single Minister overseeing the development and implementation of reconstruction strategy and planning. But it should have been established earlier, to better support more coherent UK planning and preparations for the post-conflict period.

**19.** Although the AHMGIR commissioned and agreed a number of strategies and plans, it did not seek to manage them. It did not, for example, scrutinise and challenge departments' support for them, ensure that the structures and resources necessary to deliver them were in place, or require substantive reports on progress and impact.

**20.** In May 2003, following the resignation of Ms Short and the adoption of resolution 1483, DFID assumed leadership of the UK's reconstruction effort in Iraq and would subsequently define, within the framework established by the AHMGIR and successive

<sup>2</sup> Minute Jay to Secretary of State [FCO], 27 March 2003, 'Iraq: Reconstruction: Whitehall Co-ordination'.

<sup>3</sup> Letter Turnbull to Straw, 7 April 2003, 'Iraq: Rehabilitation'.

UK strategies for Iraq, the scope and nature of that effort. There was no formal direction that DFID should take charge.

**21.** The IPU retained responsibility for all policy issues and for administering UK secondments to the CPA. The FCO retained responsibility for Security Sector Reform (see Section 12).

**22.** Mr Blair maintained a close interest in the UK's reconstruction effort and the contribution that progress here could make to achieving broader UK objectives. He pressed DFID on a number of occasions in 2003 and 2004 to accelerate the pace of reconstruction and focus its efforts more directly in support of the political process and security. DFID Ministers responded by highlighting work that was already under way and the difficulties of making progress in the face of growing insecurity.

**23.** By late 2004, Mr Blair's attention was increasingly focused on the political process, security and "Iraqisation".

## Failure to commit to ORHA

**24.** When military operations against Iraq began, the UK had not made a decision on the level and nature of its support for the US-led Office of Reconstruction and Humanitarian Assistance (ORHA), the body responsible for immediate post-conflict administration and reconstruction.

**25.** The 10 April meeting of the AHMGIR, which Mr Straw chaired and Ms Short attended, agreed that the UK should increase its support for ORHA. That decision reflected an assessment by the IPU that, although ORHA remained "in many ways a sub-optimal organisation", it was also "the only game in town".<sup>4</sup> Greater UK engagement with ORHA would help ensure that it did not pursue activities which the UK judged not to be legal.

**26.** The FCO sought volunteers to deploy to ORHA on 22 April. The first arrived in Iraq in early May.

**27.** Mr Straw visited ORHA on 14 April. He later wrote in his memoir:

"I could not believe the shambles before my eyes. There were around forty people in the room, who, somehow or other, were going to be the nucleus of the government of this large, disputatious and traumatised nation."<sup>5</sup>

**28.** Ms Short received a report from a DFID official the following day:

"... ORHA is incredibly awful ... There may be things we could do to support it, but it would be a political judgement (and a big political risk)."<sup>6</sup>

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<sup>4</sup> Paper IPU, 28 March 2003, 'Iraq: Office for Reconstruction and Humanitarian Assistance (ORHA)'.

<sup>5</sup> Straw J. *Last Man Standing: Memoirs of a Political Survivor*. Macmillan, 2012.

<sup>6</sup> Minute Bewes to Secretary of State [DFID], 15 April 2003, [untitled].



**29.** On 17 April, Mr Blair agreed that the UK should “increase significantly the level of ... political and practical support to ORHA, including the secondment of significant numbers of staff in priority areas”.<sup>7</sup>

**30.** Notwithstanding the Government’s decision to increase support for ORHA, Ms Short remained cautious about the extent of DFID’s engagement. Her assessment was that ORHA was not the only game in town. In particular, “immediate assistance” was a job for the International Committee of the Red Cross (ICRC) rather than ORHA.<sup>8</sup> While ORHA was responsible for “paying wages”, other recovery issues would emerge from a formal needs assessment undertaken by the World Bank and the International Monetary Fund (IMF).

**31.** Ms Short concluded on 23 April that DFID needed “one or two people” within ORHA to act as DFID’s “eyes and ears”. DFID “should not bow to external pressure to put people into ORHA for the sake of it”.

**32.** Ms Short’s assessment reflected her reluctance to engage in post-conflict activity other than for the immediate humanitarian response to conflict, until it was confirmed that the UN would lead the reconstruction effort.

**33.** ORHA was, as Ministers and officials had reported, an extremely weak organisation. But it was the organisation responsible for immediate reconstruction, and the scale and urgency of the reconstruction challenge was already apparent. DFID should have supported the Government’s decision to increase support for ORHA. The decision to adopt a unilateral position fed concerns within Whitehall and in Iraq over the lack of DFID engagement.

**34.** The AHMGIR agreed on 24 April that the UK should offer to play “a leading role” in ORHA(South), provided that ORHA confirmed that the UK would not be required to pay for reconstruction.<sup>9</sup> The AHMGIR also endorsed the UK military assumption that the post-conflict UK Area of Responsibility (AOR) would comprise four provinces in southern Iraq coterminous with the boundaries of ORHA’s southern region.

**35.** The AHMGIR did so at a time when there was considerable concern about ORHA’s capabilities and without robust analysis either of the strategic implications for the UK or of the military’s capacity to support the UK’s potential civilian obligations in the region.

**36.** Ambassador Paul Bremer arrived in Baghdad on 12 May to lead the CPA. The creation of the CPA signalled a change in US policy: instead of a rapid withdrawal, the US was now working on the assumption of a protracted occupation. ORHA was absorbed into the CPA in June.

<sup>7</sup> Letter Rycroft to McDonald, 17 April 2003, ‘Iraq: ORHA’.

<sup>8</sup> Minute Bewes to Miller, 24 April 2003, ‘Iraq: 23 April’.

<sup>9</sup> Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

## Returning to “a war footing”

- 37.** In early summer 2003, there was a chance for the Government to revisit its reconstruction effort to put it on a more sustainable basis.
- 38.** On 12 May, Baroness Amos succeeded Ms Short as International Development Secretary. Baroness Amos’s arrival coincided with reports from Basra that ORHA’s inability to deliver reconstruction might undermine the level of consent enjoyed by UK forces in the South, and hence affect plans for their withdrawal.
- 39.** Baroness Amos immediately signalled DFID’s willingness to do more on reconstruction.
- 40.** On 22 May, the UN Security Council adopted resolution 1483. The resolution formally designated the US and UK as joint Occupying Powers in Iraq. It confirmed that the UN would not – as the Government had at an earlier stage assumed – have lead responsibility for the administration and reconstruction of Iraq. Sir Suma Chakrabarti, DFID Permanent Secretary from 2002 to 2007, told the Inquiry that Ms Short’s resignation and the adoption of the resolution led to a significant shift in DFID’s attitude: “From that point on, we had to try and make ORHA work better whether we liked it or not.”<sup>10</sup>
- 41.** Resolution 1483 also created the Development Fund for Iraq (DFI) to hold 95 percent of Iraq’s oil revenues and other Iraqi assets, and imposed joint US/UK responsibility (as Occupying Powers) over disbursements from it. The CPA would use those revenues to fund Iraq’s reconstruction; of the US\$19.4bn spent by the US/CPA on the relief and reconstruction of Iraq during the Occupation, US\$14bn came from the DFI and a further US\$2.4bn from vested and seized Iraqi assets.
- 42.** Section 9.8 concludes that resolution 1483 set the conditions for the CPA’s dominance over post-invasion strategy and policy by handing it control of funding for reconstruction and influence on political development.

### UK scrutiny of disbursements from the Development Fund for Iraq

Resolution 1483, which was adopted on 22 May 2003, provided that disbursements from the Development Fund for Iraq (DFI) would be “at the direction of the Authority [the US and UK as Occupying Powers], in consultation with the interim Iraqi administration”. By that time, the US was committed to a protracted Occupation and it was not clear when an interim Iraqi administration would be established.

On 10 June 2003, the CPA issued a regulation that gave Ambassador Paul Bremer, as “Administrator of the CPA”, authority to oversee and control the establishment, administration and use of the DFI and to direct disbursements from the DFI.

<sup>10</sup> Public hearing, 8 December 2009, page 34.

Audits undertaken by the US Special Inspector General for Iraq Reconstruction (SIGIR) found that the CPA failed to enforce adequate management, financial and contractual controls over approximately US\$8.8bn of DFI money, and that there was “no assurance that the funds were used for the purposes mandated by resolution 1483”.<sup>11</sup> Ambassador Bremer disagreed with that assessment.

The CPA excluded the UK from decisions on disbursements from the DFI. Sir Jeremy Greenstock, the Prime Minister’s Special Representative on Iraq from September 2003 to March 2004, told the Inquiry: “The UK was not allowed sight of any of the figures on the use of money by the CPA ... London made it quite clear that they didn’t expect me to be responsible for this.”<sup>12</sup>

Section 9.8 addresses the UK’s inability to influence decisions made by the CPA, commensurate with its responsibilities as an Occupying Power.

**43.** On 3 June, following a visit to Iraq, Mr Blair told Ministers that the Government should return to “a war footing” to avoid “losing the peace in Iraq”.<sup>13</sup>

**44.** Following the adoption of resolution 1483, with the AHMGIR now established, and with Mr Blair and DFID engaged, there was a chance to set clear and realistic priorities for the UK’s reconstruction effort, within the framework provided by a broader UK strategy for Iraq, and to identify and secure the human and financial resources necessary to manage and deliver that effort.

**45.** Despite Mr Blair’s recognition of the risk that the UK could lose the peace in Iraq, the Government failed to take that chance. There are no indications that Mr Blair’s direction led to any substantive changes in the UK’s reconstruction effort.

**46.** From early June 2003, and throughout the summer, there were signs that security in Baghdad and the South was deteriorating. Following the attack on UN staff on 19 August, UN and other international staff withdrew from Iraq.

### The focus on the South

**47.** The Government was aware by early June that the Danish Head of ORHA(South), Ambassador Ole Olsen, might shortly leave Iraq.

**48.** In June, driven by the Government’s concern over the declining level of consent for the UK military presence in the South, which the Government attributed to CPA(South’s) inability to deliver reconstruction, DFID agreed to provide £15m to support CPA(South) and Quick Impact Projects (QIPs) delivered by the UK Armed Forces. DFID and MOD officials also advised Ministers that the Government needed to “identify a line of

<sup>11</sup> Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

<sup>12</sup> Private hearing, 26 May 2010, pages 50-51.

<sup>13</sup> Letter Cannon to McDonald, 3 June 2003, ‘Iraq: Prime Minister’s Meeting’, 3 June’.

funding that will ... cover the costs of being an Occupying Power until other sources are freed up".<sup>14</sup>

**49.** The Inquiry has seen no indications that any work was done to identify an alternative source of funding. The UK's assumption remained that the US/CPA should provide funding for the South.

**50.** Section 9.8 concludes that, from early July, security was seen in Whitehall as the key concern. A circular analysis began to develop, in which progress on reconstruction required security to be improved, and improved security required the consent generated by reconstruction.

**51.** Cabinet agreed on 3 July that the UK should make CPA(South) "a model".<sup>15</sup> What that meant, and what resources might be required to realise it, was not specified or recognised as an issue. It was ill-advised to set ambitious objectives without any plan or commitment of resources for meeting them.

**52.** By 9 July, Sir Michael Jay had agreed with FCO officials that a British official should replace Ambassador Olsen as Head of CPA(South), if he decided to resign.

**53.** Ministers agreed the following day that the UK should offer to replace Ambassador Olsen with a British official.

**54.** Although the significant strategic, resource and reputational implications of such a decision had been identified in March and April 2003, there are no indications that those assessments were reviewed, or that any arrangements were to put in place to support a British Head of CPA(South) and, more broadly, the UK's leadership of CPA(South).

**55.** Sir Hilary Synnott arrived in Basra on 30 July to take up post as Head of CPA(South). Sir Hilary wrote in his memoir that his arrival, along with the British military command of MND(SE), established "some sort of British Fiefdom" in the South, but one which he saw as "still entirely dependent on American resources for its lifeblood".<sup>16</sup>

**56.** Sir Jeremy Greenstock, the Prime Minister's Special Representative on Iraq from September 2003 to March 2004, told the Inquiry that there was a "separation in the American mind between the British area and the rest of Iraq, which was their area".<sup>17</sup> Sir Jeremy added that that separation was reflected in the US resources available for the South: "The Americans said let the Brits look after Basra."<sup>18</sup>

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<sup>14</sup> Annotated Agenda, 12 June 2003 Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper DFID/MOD, 11 June 2003, 'UK Support to the CPA South Area – Next Steps'.

<sup>15</sup> Cabinet Conclusions, 3 July 2003.

<sup>16</sup> Synnott H. *Bad Days in Basra: My Turbulent Time as Britain's Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

<sup>17</sup> Public hearing, 15 December 2009, page 94.

<sup>18</sup> Private hearing, 26 May 2010, page 54.

**57.** In his first report from Basra, sent on 7 August, Sir Hilary wrote that he currently had no secure communication with Baghdad or London, there were no telephone landlines and mobile coverage was patchy.

**58.** On 10 and 11 August, there were serious riots in Basra. Cabinet Office officials attributed the disturbances to increasing frustration with the Coalition's failure to restore basic services. Ministers agreed that Sir Hilary "should be given such assistance and staff as he deemed necessary to improve the workings of CPA(South)".<sup>19</sup>

**59.** At the end of August, Sir Hilary Synnott requested 37 specialist staff and 20 armoured vehicles for CPA(South). He requested a further 44 staff at the end of October. In his valedictory report in January 2004, Sir Hilary stated that:

"A bid for 37 additional and expert staff ... was endorsed by Ministers immediately ... by early January, 18 of the 37 new staff had still not arrived."<sup>20</sup>

**60.** The FCO did not provide adequate practical support to Sir Hilary Synnott as Head of CPA(South).

**61.** Departments' failure to respond to Ministers' demands for additional civilian personnel in Basra and elsewhere in Iraq is addressed in Section 15.2.

**62.** The decision to take on the leadership of the CPA(South) had significant implications, lasting well beyond the end of the Occupation. The South would occupy the attention of Ministers and senior officials and absorb the majority of the UK resources available for reconstruction.

**63.** Sir Michael Jay was aware, in particular through his participation in Mr Blair's 6 March and 17 April meetings, that the decision to provide the Head of CPA(South) would have significant resource implications. He did not ensure that those were addressed.

**64.** Sir Michael, as FCO Permanent Under Secretary, failed to ensure that the FCO provided the support needed by Sir Hilary Synnott as Head of CPA(South).

**65.** On 15 November, the Iraqi Governing Council unveiled a timetable for the transfer of power to a transitional Iraqi administration by 30 June 2004, at which point the CPA would be dissolved. The announcement took UK officials and contractors working in the CPA by surprise.

**66.** The decision to transfer power earlier than had been expected (the CPA's plans had extended for some years) had significant implications for the reconstruction effort. The CPA focused on programmes which could deliver a visible and immediate impact in support of reconciliation and the political transition process, and shelved programmes

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<sup>19</sup> Minutes, 28 August 2003, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting.

<sup>20</sup> Telegram 10 Basra to FCO London, 26 January 2004, 'Basra Valedictory'.

(such as privatisation) that risked undermining that process. It also sought to increase support for Iraqi government institutions, to prepare them to fulfil their responsibilities for the administration of Iraq (in only seven months' time).

**67.** In December, DFID approved the first of a series of projects which aimed to build the capacity of key institutions at the centre of the Iraqi Government, including the Prime Minister's Office. The Treasury also provided support to the Iraqi Government on budgeting and financial management.

**68.** Resolution 1546, which was adopted on 8 June 2004, endorsed the formation of a sovereign Interim Government of Iraq (IGI) which would assume full responsibility for governing Iraq by 30 June 2004. The IGI would have "the primary role" in co-ordinating international assistance, with the support of the UN.<sup>21</sup>

**69.** The resolution requested Member States, international financial institutions and other organisations to strengthen their efforts to support reconstruction and development.

## Transition

**70.** At the end of June 2004, the CPA formally handed over power to the Interim Iraqi Government (IIG) and the US and UK ceased to be Occupying Powers in Iraq. Mr Hilary Benn, the International Development Secretary, welcomed the fact that "Iraqis were clearly in charge" and that the UK was moving "from a phase of doing things for the Iraqis to supporting them doing it for themselves".<sup>22</sup> Despite that, there were concerns among DFID officials that the IIG was ill-prepared to administer Iraq and lead the reconstruction effort.

**71.** Both the incoming Iraqi Government and the US established new structures to manage and deliver reconstruction in Iraq.

**72.** The UK's priorities were to maintain the momentum of the political process towards elections in January 2005 and to ensure that the conditions for the drawdown of UK forces (planned to begin in 2005) were achieved.

**73.** An immediate UK concern was the growing insurgency in Sunni areas. During the autumn, Mr Blair pressed DFID to increase the pace of reconstruction so that Iraqi citizens could see a reconstruction dividend before the elections and to do more in cities across Iraq where the IIG had regained control from insurgents.

**74.** DFID's response focused on the steps it had already taken to accelerate the pace of reconstruction in the South, in the face of growing insecurity. It did not substantively address Mr Blair's request that it should do more in cities where the IIG had regained control from insurgents.

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<sup>21</sup> UN Security Council resolution 1546 (2004).

<sup>22</sup> Minutes, 1 July 2004, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting.

**75.** Mr Blair's assessment of the contribution that reconstruction could make to addressing insecurity in Iraq and to achieving wider UK objectives was reasonable. While there were certainly obstacles to increasing DFID's focus on the areas identified by Mr Blair, including insecurity and the dominant role of the US, DFID should have reviewed its effort in Iraq in the light of the worsening situation on the ground. It did not do so.

**76.** From this point on, Mr Blair increasingly focused on pressing issues relating to the political process, security and "Iraqisation" (building the ability of Iraqi Security Forces to take the lead on security within Iraq).

**77.** By the end of 2004, the obstacles to delivering reconstruction in the South were clear.

**78.** Insecurity remained the most serious obstacle to progress.

**79.** The UK had been pressing the US to move quickly to establish a reconstruction presence in the South since the transition to the IIG in June 2004. In December, officials confirmed that the US intended to focus on reconstruction projects that had a more immediate and visible impact at the expense of larger, longer-term projects, and was likely to reallocate funding from more to less stable areas of Iraq. That meant less US funding for the South. Mr Chakrabarti reported that:

"As junior partners in the coalition, our ideas are listened to, but our influence over US spending will remain limited. We need to face up to the fact: the South will not be a strategic priority for the US."<sup>23</sup>

**80.** At the same time, concerns grew over the capacity of the Iraqi Government to lead and manage the reconstruction effort. Faster progress on reconstruction was unlikely without greater Iraqi capacity, and building that capacity could take years. A particular concern for the UK was the weakness of the relationship between Baghdad and Basra. That relationship would become increasingly difficult.

**81.** The UN and World Bank continued to limit their presence on the ground in Iraq.

**82.** Reports from Iraq highlighted that progress in delivering essential services, and in particular power, had fallen far below Iraqi expectations.

**83.** DFID concluded in December 2004 that it would "have to take more of the strain bilaterally in 2005".<sup>24</sup> Planned support for infrastructure in the South would be brought forward.

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<sup>23</sup> Minute Chakrabarti and Drummond to Secretary of State [DFID], 13 December 2004, 'Iraq Visit, 6-8 December'.

<sup>24</sup> Minute Chakrabarti and Drummond to Secretary of State [DFID], 13 December 2004, 'Iraq Visit, 6-8 December'.

## UK funding for reconstruction

DFID provided £297m for reconstruction and a further £209m for humanitarian assistance in Iraq between 2002/03 and 2009/10. Iraq was DFID's largest bilateral programme in 2003/04, when DFID spent a total of £220m. That included a £110m contribution to the humanitarian relief effort following the invasion and a £70m contribution to the World Bank and UN Trust Funds (which would be spent by the World Bank and UN in subsequent years). The size of DFID's programme decreased over the following years.

In addition, UK forces in MND(SE) spent £38m from UK funds on Quick Impact Projects (QIPs).

It is not possible, from the information available to the Inquiry, to produce a definitive breakdown of the allocation of DFID funding between national programmes and programmes in the South. The Inquiry calculates that, from 2003/04 to 2007/08, between 76 percent and 52 percent of DFID funding was allocated to programmes in the South.<sup>25</sup> DFID's expenditure in the South peaked in 2005/06.

UK forces also had access to significant amounts of US funding from the Commander's Emergency Response Program (CERPs) to spend on urgent relief and reconstruction needs. The Government has not been able to provide a full breakdown of the amount of CERPs funding used by UK military commanders, but it appears to have been greater than the total amount provided by the UK for reconstruction. The US allocated US\$66m from CERPs to MND(SE) in the US fiscal year 2005/06. In the same year, in MND(SE), DFID spent some £35m on infrastructure and job creation and the MOD spent £3m from UK funds on QIPs.

By April 2009, the US had spent or allocated to ongoing projects US\$351m from CERPs in MND(SE), and spent or allocated to ongoing projects some US\$3.3bn from all sources in MND(SE). Over the same period, in MND(SE), DFID spent at least £100m and the MOD spent £38m from UK funds on QIPs.

UK funding was also available for Iraq from the Global Conflict Prevention Pool (and subsequently the Stabilisation Aid Fund and the Conflict Pool). Most of that funding was allocated to Security Sector Reform (see Section 12).

## Preparation for withdrawal

**84.** From June 2005, the Government considered a series of papers on the transfer of security responsibilities for southern provinces to Iraqi Security Forces (leading to withdrawal of UK forces from Iraq).

**85.** DFID assessed that it could not operate effectively in the South without UK military support and, in October, indicated its intention to refocus on building the capacity of the Iraqi Government in Baghdad. Existing projects in the South would continue to completion but, given the security situation, no new projects would be started.

<sup>25</sup> Calculation excludes DFID funding for humanitarian assistance, the World Bank and UN Trust Funds, and programme support costs such as security, accommodation and communications. It is not possible to produce a reliable estimate of the proportion of the funding provided for those purposes that related to the South.



**86.** There was some resistance to that new approach from other departments: it was not until October 2006 that a DFID official could advise Mr Benn that “we have largely won the argument that DFID should shift focus ... to technical assistance in Baghdad”.<sup>26</sup>

**87.** In October 2005, the US launched its new “Clear-Hold-Build” strategy for Iraq. One component of the strategy was the deployment of integrated civilian-military Provincial Reconstruction Teams (PRTs) into each Iraqi province.

**88.** The US initiative created a dilemma for the UK: how to meet US expectations that the UK would play a leading role in establishing PRTs in the South and that each PRT should be a “new venture” supported by additional resources, while not disrupting the UK’s plans to withdraw.<sup>27</sup> The Government’s solution was to “be constructive; find out more and try and influence the US approach; and ... repackage our effort in the South as a PRT but not do very much differently”.<sup>28</sup> UK plans for withdrawal would not change.

**89.** The UK-led PRT in Basra was established in May 2006, by bringing together existing US, UK and Danish programme teams.

**90.** An FCO paper described the situation in Basra at that time:

“Security and governance in Basra are bad and worsening ... Attacks on us, and both criminal and sectarian violence, are rising. Basic services are not being delivered ...

“The UK civilian effort in Basra is increasingly hunkered down. We face a lack of co-operation from the local authorities and severe restrictions on our movement. Our local staff ... suffer growing intimidation. Against this background, much of our effort – notably the Provincial Reconstruction Team we are standing up ... can make little headway.”<sup>29</sup>

**91.** The UK’s response to the US strategy, including the introduction of PRTs, was entirely shaped by its plans to withdraw (militarily and in relation to reconstruction). The decision simply to repackage the UK effort meant that the possibility of establishing a coherent international effort in the South, adapted to the difficult security environment, was left unexplored. The PRT was a less effective organisation than it might have been. The weaknesses in the PRT would be exposed in 2008, as security improved and international partners looked to it to do more.

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<sup>26</sup> Minute DFID [junior official] to Private Secretary [DFID], 6 October 2006, ‘Iraq: Future for DFID Programme from 2007’.

<sup>27</sup> eGram Baghdad to FCO London, 22 November 2005, ‘Iraq: Update PRTs’.

<sup>28</sup> Minute DFID [junior official] to Private Secretary [DFID], 1 November 2005, ‘Iraq: Oral Briefing in Preparation for DOP(I), 3 November’.

<sup>29</sup> Paper FCO, 27 April 2006, ‘DOP(I): Basra’.

### The Better Basra Plans

Between June 2006 and March 2007, officials in Basra produced three “Better Basra Plans”, which aimed to get Basra on track for the transfer to Provincial Iraqi Control (PIC).

The first, produced under the direction of Mr Des Browne, the Defence Secretary, focused on Security Sector Reform. The third was a comprehensive plan, produced by the British Embassy Office Basra, MND(SE) and the PRT, setting out nine lines of operation including reconstruction under an “over-arching political strategy”.

The Stabilisation Unit subsequently reported that the “Better Basra Plans” had gone some way to make up for the absence of a UK strategy for Iraq, but had been undermined by a lack of strategic guidance from Whitehall and frequent changeover of personnel in theatre, and so “eventually fell by the wayside during the course of 2007”.<sup>30</sup>

**92.** The security situation in Basra continued to deteriorate. In October 2006, the majority of civilian staff were withdrawn from the Basra Palace Compound to Basra Air Station (BAS), where MND(SE) was already based. The lack of hardened accommodation at BAS meant that the PRT withdrew first to Kuwait and redeployed to BAS in February 2007.

### A new focus on economic development in Basra

**93.** Mr Gordon Brown took office as Prime Minister at the end of June 2007. In relation to Iraq, he focused his attention on initiatives to support economic growth and private sector investment in Basra. DFID increased staffing in both Basra and Baghdad to support those economic initiatives.

**94.** The UK-led PRT in Basra continued to be the primary means of delivering the UK’s reconstruction effort in the South.

**95.** In March 2008, Prime Minister Maliki launched a major offensive against militia groups in Basra, known as the “Charge of the Knights”. The operation led to an immediate improvement in the security situation in Basra. The US and the Iraqi Government moved quickly to exploit it by pouring in resources for reconstruction and in particular for projects which would have an immediate, visible impact.

**96.** A junior DFID official reported from Basra that it seemed the US could “do things” that the UK had not tried.<sup>31</sup> It was able to dedicate more people and more money to the task; change the security environment to secure better civilian access; operate outside Iraqi structures; ensure better linkages to US work in Baghdad; and “apply sufficient clout at the Baghdad end” to secure the Iraqi Government’s attention.

<sup>30</sup> Report Stabilisation Unit, 3 September 2008, ‘Review of the Basra Provincial Reconstruction Team’.

<sup>31</sup> Email DFID [junior official] to DFID [junior official], 9 April 2008, ‘Basra’.

**97.** Within the UK Government, initial reactions to those developments were mixed. Some saw them as an opportunity, others as undermining the UK's work to build the capacity of the provincial government (which risked being sidelined by decisions to channel funds directly to line ministries, tribal leaders and non-governmental organisations), as a distraction for the UK team, and as a risk to the UK's reputation.

**98.** Mr David Miliband, the Foreign Secretary, wrote to Mr Brown in April, describing the Charge of the Knights as "an opportunity" which had paved the way for a "proper and respectable end" to the UK's role as "lead partner in the coalition" in the course of 2009.<sup>32</sup>

### Civilian-military co-ordination on the ground

**99.** The withdrawal of civilian staff from Basra Palace in October 2006 came as frustrations within some elements of the military over the lack of an integrated civilian-military effort reached a critical point.

**100.** In March and April 2003, the Government had adopted new structures, centred on the AHMGIR, to co-ordinate its work on Iraq in the post-conflict period. There are no indications that the Government considered how civilian teams from different departments and the military would co-ordinate their efforts on the ground. It was left to those teams to determine how they should work together.

**101.** In December 2006, Major General Richard Shirreff, General Officer Commanding (GOC) MND(SE), wrote to Mr Blair proposing that the UK should establish a Joint Inter-Agency Task Force combining military and civilian reconstruction expertise under military command. Lt Gen Shirreff told the Inquiry that, by that time, the "inter-governmental piece" had failed, and characterised his proposal as "desperate times and desperate measures".<sup>33</sup>

**102.** Maj Gen Shirreff's proposal was the subject of heated debate within the Government. Mr Blair expressed support for it, but it was rejected by the MOD, other senior military officers, the FCO and DFID. Sir Nigel Sheinwald, Mr Blair's Foreign Policy Adviser, advised Mr Blair that there had been constant problems between military and civilian teams in Basra "from the start" and concluded: "We must make a last effort to get a joined up operation."<sup>34</sup>

**103.** The Government concluded that it was not appropriate to establish a military lead for reconstruction. The co-location of MND(SE), the PRT and other civilian teams at BAS was expected to help co-ordination. In March 2007, the UK civilian and military teams in

<sup>32</sup> Letter Miliband to Prime Minister, 29 April 2008, 'Iraq'.

<sup>33</sup> Public hearing, 11 January 2010, pages 20-21 and 42.

<sup>34</sup> Minute Sheinwald to Prime Minister, 5 January 2007, 'Iraq: Weekly Update' attaching Note Cabinet Office, 5 January 2007, 'Basra'.

Basra proposed a new structure, with a civilian lead, to co-ordinate the UK's effort in the South.

**104.** Reports from Basra after March 2007 indicate that civilian-military co-ordination improved.

**105.** Co-ordination on the ground was complicated by:

- the lack of an integrated UK strategy (within which civilian and military teams on the ground could locate their efforts); and
- the physical separation of the UK's civilian and military teams until February 2007 – the effect of that separation was exacerbated by the constraints on travel in Basra and the lack of a common communications system.

**106.** The Government should have acted much sooner to support civilian-military co-ordination on the ground in Iraq.

## Reconstruction, strategy and planning

**107.** Section 9.8 concludes that the Government's frequent new strategies for Iraq did not result in substantial changes in direction, due to their focus on describing a desired end state (rather than on how it would be reached), the absence of a Cabinet Minister with overall responsibility for Iraq, and the difficulty in translating Government strategy into action by departments. Although Iraq was designated the UK's highest foreign policy priority, it was not the top priority within individual departments.

**108.** Throughout the period, reconstruction was presented as the third pillar of UK strategy, after the political process and security. None of the UK's strategies defined how reconstruction related to the political process and security, how progress on reconstruction could contribute to achieving broader UK objectives and, in that context, whether the focus and scale of the UK's reconstruction effort was appropriate.

### The role of reconstruction

Only once during the period covered by the Inquiry were Ministers invited to consider fundamental questions on the size, focus and impact of the UK's reconstruction effort and the contribution that reconstruction could make to achieving broader UK objectives.

The Ministerial Committee on Defence and Overseas Policy on Iraq (DOP(I)), chaired by Mr Blair, met for the first time on 26 May 2005.<sup>35</sup> The Annotated Agenda for the meeting, prepared by the Cabinet Office, invited Ministers to consider a number of questions, including:

- Was the funding available for reconstruction across Government adequate?
- Was the UK investing at a level that supported its objective of creating stability such that there could be troop withdrawals?

<sup>35</sup> Annotated Agenda, 24 May 2005, DOP(I) meeting.

- Was the UK delivering a short-term return which would boost the political process?

Those were important questions. It should not have taken until May 2005 for officials to pose them, or for Ministers to require advice on them.

DOP(I) did not address those questions.

Work by officials to establish the funding available for reconstruction across Government was fed into discussions on the UK's deployment to Helmand province, Afghanistan.

**109.** DFID's intent in March 2003 was to deliver a development programme in Iraq which fitted their standard model for Middle-Income Countries. The programme would focus on providing technical assistance for the economic and institutional reforms which would underpin the reconstruction process and, given Iraq's potential wealth, would be relatively short term. The majority of assistance would be delivered through multilateral channels.

**110.** That approach was not tailored to the known scale and nature of the post-conflict reconstruction task in Iraq. The information available to the Government before the invasion clearly set out the deteriorated state of Iraq's infrastructure. Ms Short told the House of Commons at the end of January 2003 that Iraq's infrastructure was "in chronic disrepair. Hospitals, clinics, sanitation facilities and water treatment plants suffer from a terrible lack of maintenance. The result is that the Iraqi people's lives are perilously fragile."<sup>36</sup>

**111.** By May 2003, DFID had begun to change its approach.

**112.** There were two major shifts in DFID's focus in Iraq over the period covered by the Inquiry, in response to broader UK objectives and the situation on the ground. The speed and scale of DFID's response were informed by its own departmental priorities.

**113.** Those shifts were the product of series of individual judgments and decisions by DFID Ministers and officials, rather than of a structured strategy-making process. That incremental approach was facilitated by the weaknesses in the Government's strategy-making process (described in Section 9.8).

**114.** First, from June 2003, DFID moved to support programmes in the South that would have an immediate and visible impact. That shift was driven by the Government's concern over the declining level of consent for the UK military presence in the South due, in the Government's view, to CPA(South)'s inability to deliver reconstruction.

**115.** DFID produced an Interim Country Assistance Plan for Iraq in February 2004, setting out how it planned to contribute to Iraq's reconstruction and development. The Plan stated that, given the rapidly changing situation in Iraq, it would need a substantial review after one year.

<sup>36</sup> House of Commons, *Official Report*, 30 January 2003, columns 1053-1054.

**116.** Despite that statement, and the significant changes on the ground (including the deterioration in the security situation and the transition from Occupation to a sovereign Iraqi Government), DFID did not undertake any further, structured strategic reviews of its engagement in Iraq.

**117.** The focus on the South continued during 2004 and 2005, driven by the Government's assessment that the South was not a priority for the US, the lack of funding from the central Iraqi Government, and the continuing absence of other donors, the World Bank and UN.

**118.** Second, from October 2005, when DFID indicated that it would refocus on building the capacity of the Iraqi Government in Baghdad. Existing projects in the South would continue to completion but, given the security situation, no new projects would be started.

**119.** The Inquiry considers that DFID missed several opportunities to address hard, strategic questions over the scale and focus of its programme in Iraq and the contribution that it could make to achieving broader UK objectives. Addressing those questions did not necessarily require a formal review of the Country Assistance Plan, but did require a structured process which:

- included a comprehensive assessment of the political, economic and social context in Iraq;
- considered the lessons that DFID had identified and how it would respond to them;
- challenged DFID's approach in Iraq;
- engaged and reflected the policies and priorities of the Iraqi Government, the US and other international partners; and
- engaged other departments, in particular to consider how the reconstruction effort could contribute to broader UK objectives.

**120.** Particular opportunities were:

- in July 2003, when the UK took on civilian leadership of CPA(South) and in doing so created a "British fiefdom" in the South;
- in autumn 2003, as the Government sought to respond to deteriorating security in the South by providing support for essential services. DFID should have taken steps to resolve the emerging tension between Ministers' desire to accelerate reconstruction in the South, and the lack of resources to do so;
- in October 2004, as the insurgency took hold across Iraq and Mr Blair sought to increase the impact of DFID's reconstruction effort, in particular in cities regained from insurgent control;

- in May 2005, when DFID chose not to undertake the substantive review of its Country Assistance Plan for Iraq to which it was committed;
- in October 2005, when the US adopted a Clear-Hold-Build strategy, including increased support for Iraqi institutions and the deployment of PRTs;
- in 2007, in response to the US surge and Mr Brown's focus on economic development initiatives in Basra; and
- in 2008, in response to the improved security situation in Basra following the Charge of the Knights.

**121.** Under the leadership of Mr Benn and Mr Chakrabarti, DFID missed several clear opportunities to:

- review its approach and strategy in Iraq to ensure it was making the greatest possible contribution to the reconstruction of Iraq and to the UK's broader objectives; and
- work within Whitehall to encourage the Government to review the UK's broader approach and strategy.

## Energy security, oil and oil revenues

**122.** Energy security was one of the UK's "fundamental interests" in relation to Iraq throughout the period covered by the Inquiry.<sup>37</sup> The region accounted for 33 percent of the world's oil supply.

**123.** As Section 3 makes clear, the UK's decision to take military action in Iraq was not driven by economic considerations or potential commercial benefits.

**124.** The UK's concerns in relation to Iraq's oil in the run-up to the invasion were:

- the possible impact of military action on oil prices; and
- to maximise the contribution that Iraqi oil revenues could make to financing Iraq's reconstruction (reducing the risk that the UK would need to make a substantial contribution).

**125.** The US Department of Defense led planning to restore the oil sector before the invasion. The UK did not participate in that planning, and only become aware of it shortly before the invasion began.

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<sup>37</sup> Paper FCO, January 2001, 'Iraq: A Fresh Look at UK Interests'.

**126.** The US and UK disagreed on who should control Iraqi oil revenues during the Occupation. The UK's position, as set out in a briefing for Mr Blair in March 2003, was that:

“The UN or the Iraqis, not the Coalition, should manage oil revenues.”<sup>38</sup>

**127.** Resolution 1483, which was adopted on 22 May 2003, reflected the US position that the Occupying Powers (the US and UK) should manage oil revenues.

**128.** During the Occupation, the CPA excluded the UK (and British nationals working in the CPA) from discussions on oil policy and rejected offers of a UK oil policy expert. Sir Jeremy Greenstock told the Inquiry that, in his view, “the Americans had no intention to take over and own the oil sector ... I think they just felt it was such an important area that they would run it themselves”.<sup>39</sup>

**129.** In October 2003, against that background, the UK adopted a new approach of engaging directly with Iraqi ministers and officials.

**130.** The main objectives of UK policy during and after the transition to a sovereign Iraqi Government were:

- the introduction of measures to improve governance and transparency in the oil sector and in the collection and disbursement of oil revenues, including through the Extractive Industries Transparency Initiative (EITI);
- the creation of a public sector national oil company;
- the promotion of foreign direct investment (FDI), which the UK believed to be the only realistic source of the funding needed to develop Iraq's oil fields and facilities and raise production. Such investment could also produce substantial business for UK companies. The UK adopted an increasingly cautious position on the potential role of the private sector in Iraq's oil sector, including FDI, over the period covered by the Inquiry; and
- with respect to the proposed Hydrocarbons Law, for the federal Iraqi Government to have responsibility for signing new oil exploration and production contracts and for regulating the sector. The UK's underlying concern was to preserve the integrity of the Iraqi State.

**131.** There is no evidence that the UK significantly influenced Iraqi policy in relation to oil. A junior FCO official reported in September 2006 that the Iraqi Government cared more about what international oil companies thought.

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<sup>38</sup> Letter Owen to Rycroft, 25 March 2003, 'Prime Minister's Visit to Washington: Iraq: UN Security Council Resolution on Phase IV' attaching Paper IPU, 25 March 2003, 'Iraq: Phase IV: Authorising UNSCR'.

<sup>39</sup> Public hearing, 15 December 2009, pages 103-104.



## Support for UK business

**132.** The Government initially adopted a low-key approach to lobbying for UK business, to avoid giving “undue prominence” to commercial interests.<sup>40</sup> From March 2003, in response to pressure from UK companies, it gradually stepped up its efforts.

**133.** The US (including USAID, the US Army Corps of Engineers and the CPA) was the major source of reconstruction contracts during the Occupation. The Government’s objective was to ensure a “level playing field” for UK companies.<sup>41</sup> The US made clear to the UK that, while it welcomed the participation of UK companies, there was no “special deal”.

**134.** A senior UK Trade and Investment (UKTI) official, writing in December 2003, reported that:

“It took time, initially, to persuade Ministers that this [promoting UK business] was a legitimate objective that the Government should be seen to be promoting actively ...

“But the departments responsible for overseeing this co-ordination [on post-conflict Iraq] made clear at an early stage that UK commercial interests were a lower priority than other aspects of reconstruction. The result ... was that the contribution that the private sector could make to post-conflict reconstruction was less well registered.”<sup>42</sup>

## The Government’s approach to post-conflict reconstruction

**135.** The Government began a review of the UK’s approach to post-conflict reconstruction in September 2003.

**136.** The inter-departmental Post-Conflict Reconstruction Unit (PCRU) was established in September 2004. It became operational during 2005 and in December 2007 was renamed the Stabilisation Unit (SU).

**137.** The PCRU and SU focused their activity on Afghanistan. They made limited, but valuable, contributions in Iraq.

**138.** Since 2007, the SU has continued to evolve in response to a changing strategic and policy framework shaped by:

- the 2008 and 2010 National Security Strategies (NSS);
- the 2010 Strategic Defence and Security Review (SDSR); and
- the 2011 Building Stability Overseas Strategy (BSOS).

<sup>40</sup> Minute Henderson to Symons, 12 February 2003, ‘Iraq: Post-Conflict Commercial Issues’.

<sup>41</sup> Letter Zimmer to Rycroft, 10 October 2003, ‘Iraq: Update on Commercial Issues’ attaching Paper UKTI, 10 October 2003, ‘Iraq: Update on Commercial Issues’.

<sup>42</sup> Minute Warren to Hadrill, 10 December 2003, ‘Post-Conflict Resolution: Iraq’.

**139.** The review of post-conflict planning and preparation that began in 2003 was triggered by the Iraq experience, but was not designed to provide immediate solutions to the problems encountered in Iraq.

**140.** On the evidence seen by the Inquiry, the Government quickly identified lessons learned from the shortcomings in its planning and preparation for post-conflict Iraq and the initial experience of post-conflict reconstruction. It failed, however, to apply those lessons in Iraq.

**141.** There is no indication that Ministers or officials considered how the PCRU might support operations in Iraq until autumn 2005.

**142.** PCRU support was essential to the establishment and operation of the Basra PRT during 2006. The PCRU did not, however, have a mandate to overcome the difficulties caused by variations in the contracts and terms and conditions of PRT staff, most of whom were transferred from existing roles in Iraq (see Section 10.3).

**143.** After 2006, there were further changes to the UK's strategic approach to reconstruction and stabilisation and improvements to its deployable capability.

**144.** It is not possible to determine how the structures and capabilities introduced by successive governments would have performed in the circumstances that existed either in Whitehall during the planning and preparation for a post-Saddam Hussein Iraq in 2002 and early 2003, or in Whitehall and Iraq between 2003 and 2009.

**145.** The size and scope of the Stabilisation Unit and the resources at its disposal in 2016 far exceed anything available to the UK in 2003.

**146.** The strategic direction established through the BSOS and new cross-government machinery centred on the National Security Council, have created an improved framework for constructing an integrated civilian-military approach to post-conflict strategy, planning, preparation and implementation.

**147.** The Box below lists some of the lessons learned from reviews of the UK approach to stabilisation since 2009, described in greater detail in Section 10.3.

### Reviews of the UK approach to stabilisation

In August 2010, the Royal United Services Institute (RUSI) published a review of the Government's progress in promoting stability in countries emerging from conflict.

The review concluded that, between 2005 and 2010, a drive towards greater inter-departmental co-operation had led to a number of institutional innovations, an increase in the resources available for stabilisation, new cadres of practitioners and improved co-ordination in-country, but that the UK was "not yet delivering on its full potential to engage in fragile states".<sup>43</sup> Issues highlighted in the review included:

- a "mismatch" between ambitions and resources;
- loyalty to departments rather than to government as a whole; and
- lessons recorded and stored by a number of departments, but seldom considered when new decisions needed to be made.

The Stabilisation Unit produced a paper on lessons learned from the UK's growing experience of stabilisation activities in November 2010. Lessons included the need to ensure that economic and development objectives complement and support efforts to promote a peaceful political process, and the importance of securing community engagement.

The Inquiry agrees, in the context of Iraq, with many of the lessons identified in the RUSI review and the November 2010 Stabilisation Unit paper.

### The impact of the UK's reconstruction effort

**148.** From the available information, it is not possible fully to assess the impact of the UK's reconstruction effort.

**149.** One difficulty is that the Government never defined what contribution reconstruction should make to achieving broader UK objectives and so what would constitute success or failure.

**150.** The environment in Iraq made reconstruction very difficult. For almost all of the period covered by the Inquiry, insecurity was the major constraint. Other constraints were:

- the lack of capacity within the Iraqi Government, both in Baghdad and the South, to support and lead reconstruction;
- the form and implementation of de-Ba'athification;
- the politicisation of Iraqi institutions, and corruption;
- the series of relatively short-lived Iraqi administrations between 2004 and 2006 (with limited remits to initiate reform and an inevitable churn of Ministers and senior officials);
- an international community which, because of the circumstances of the invasion, was not fully invested in the reconstruction of Iraq; and

<sup>43</sup> Teuten R & Korski D. *Preparing for Peace. Britain's Contribution and Capabilities*. RUSI, 2010.

- the persistent lack of co-ordination between the Iraqi Government and international partners, and between international partners.

**151.** Staff and contractors developed a number of approaches to managing the risks inherent in working in such an environment:

- using innovative techniques to deliver projects, such as working through local Iraqi contractors, using the military (who were more frequently able to visit project sites) to manage and monitor projects, and helping the Ministry of Finance to set up an office inside the International Zone in Baghdad within which international consultants could work;
- systematically tracking poor performance;
- adapting delivery methods to reduce fiduciary risk; and
- building clear exit strategies into projects, including dedicating significant effort to bringing in other donors.

**152.** The Inquiry recognises the dedication and skill of the staff and contractors who worked in Iraq, often in discomfort and at personal risk.

**153.** Witnesses to the Inquiry and contemporary documents identify three areas in particular where the UK had made a significant contribution to Iraq's reconstruction:

- building Iraqi capacity at the centre of government (including the Prime Minister's Office and the Cabinet Office), and strengthening the linkages between Baghdad and the provinces;
- building the capacity of the provincial administration in Basra; and
- building the capacity of successive Iraqi Governments to manage the economy (including the launch of a new Iraqi currency in 2003) and engage effectively with the International Monetary Fund.

**154.** The Inquiry met a number of senior Iraqi politicians and officials, and asked them for their views on the UK's reconstruction effort. DFID's focus on building Iraqi Government capacity to plan and manage was recognised and welcomed. That was contrasted with short-term activities, including building schools and hospitals, which Iraq could do for itself.

**155.** In Basra, the Inquiry was told that there was little to show for the UK's reconstruction effort. A small number of projects were identified as continuing to have a positive impact, including:

- training in the UK delivered by the PRT;
- job creation programmes supported by DFID; and
- improvements to the sewerage system supported by the UK military.

## Key economic and social indicators

**156.** It is possible to consider the impact of the international community's reconstruction efforts in Iraq by looking at the changes in a number of key indicators. Table 1 presents selected economic and social indicators.

**157.** In relation to the economy:

- Electricity production fell from around 4,000 megawatts (MW) per day before the invasion to 500MW in May 2003 (immediately after the invasion), before recovering to around 4,000MW in June 2004 (the transition from Occupation to a sovereign Iraqi Government).<sup>44</sup> By 2009, production was around 6,000MW.
- Oil production fell from around 2.9m barrels a day (bpd) before the invasion to around 0.3m bpd in May 2003, before recovering to 2.3m bpd by June 2004. By 2009, production remained below pre-conflict levels.

**158.** The under-five mortality rate fell from 42 to 38 (per 1,000 live births) between 2003 and 2009.

**159.** Perceptions of corruption in Iraq worsened between 2003 and 2009. Iraq fell from 113th out of 133 countries surveyed for Transparency International's Corruption Perceptions Index in 2003, to 176th out of 180 countries surveyed in 2009.

**160.** The UN's 2009 Common Country Assessment concluded that, while Iraq had fulfilled its constitutional mandate requiring 25 percent of Parliamentary seats to be filled by women, women remained under-represented at higher levels within the public sector and government.<sup>45</sup> Women also had higher illiteracy levels than men, participated in smaller numbers in the labour force, were paid less and were segregated into certain occupations. A disproportionate number of households in poverty were headed by women.

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<sup>44</sup> Brookings Center for Middle East Policy, 26 July 2013, Iraq Index, *Electricity*.

<sup>45</sup> UN, 2009, *Common Country Assessment: Iraq*.

Table 1: Iraq: selected economic and social indicators

	1989	2002	2003	2004	2009
GDP at market prices (current US\$bn) <sup>46</sup>	65.6	n/a	n/a	36.6	111.7
GDP per capita (current US\$) <sup>47</sup>	3,850	n/a	n/a	1,391	3,725
Electricity production (megawatts) <sup>48</sup>		3,958	500 – 3,456	4,030	5,700
Oil production (million barrels per day) <sup>49</sup>	2.90	2.02	1.31	2.01	2.39
Under-five mortality rate (per 1,000 live births) <sup>50</sup>	55	43	42	42	38
Primary school enrolment, both sexes (%) <sup>51</sup>	90	n/a	94	93	92
Employment (%) <sup>52</sup>	43	43	43	43	44
Corruption <sup>53</sup>	n/a	n/a	113/133	129/146	176/180

## Lessons

**161.** The starting point for all discussions of reconstruction in circumstances comparable to those in Iraq between 2003 and 2009 must be that this is an area where progress will be extremely difficult.

**162.** Section 6.5 concludes that better planning and preparation for a post-Saddam Hussein Iraq would not necessarily have prevented the events that unfolded in Iraq between 2003 and 2009. It would not have been possible for the UK to prepare for every eventuality. Better plans and preparation could have mitigated some of the risks to which

<sup>46</sup> World Bank Open Data, [www.data.worldbank.org](http://www.data.worldbank.org), *Iraq: GDP at market prices (current US\$)*.

<sup>47</sup> World Bank Open Data, [www.data.worldbank.org](http://www.data.worldbank.org), *Iraq: GDP per capita (current US\$)*.

<sup>48</sup> Brookings Center for Middle East Policy, 26 July 2013, Iraq Index, *Electricity*. Figure for 2002 is a estimated pre-war level.

<sup>49</sup> US Energy Information Administration. *Iraq Crude Oil Production by Year*.

<sup>50</sup> World Bank Open Data, [www.data.worldbank.org](http://www.data.worldbank.org), *Iraq: Mortality rate, under-5 (per 1,000)*. Under-5 mortality rate is a leading indicator of the level of child health and overall development in countries.

<sup>51</sup> World Bank Open Data, [www.data.worldbank.org](http://www.data.worldbank.org), *Iraq: Net enrolment rate, primary, both sexes (%)*. Figure for 2009 relates to 2007 survey.

<sup>52</sup> World Bank Open Data, [www.data.worldbank.org](http://www.data.worldbank.org), *Iraq: Labor force participation rate, total (% of total population ages 15-64)*.

<sup>53</sup> Transparency International, *Corruption Perceptions Index (CPI)*. Iraq was not included in the CPI before 2003. The CPI draws on multiple data sources.

the UK and Iraq were exposed between 2003 and 2009 and increased the likelihood of achieving the outcomes desired by the UK and the Iraqi people.

**163.** From late 2003, successive reviews of the UK's approach to post-conflict reconstruction, later expanded to include the broader concept of stabilisation, resulted in a series of changes to the UK's approach to post-conflict operations. Despite those changes, many of the shortcomings that characterised the UK Government's approach to pre-conflict planning and preparation in 2002 and early 2003 persisted after the invasion.

**164.** The UK Government's new strategic framework for stabilisation, the new machinery for inter-departmental co-ordination and the enhanced resources now available for stabilisation operations continue to evolve. If future changes are to increase the effectiveness of UK operations, they must address the lessons for planning, preparation and implementation derived from the Iraq experience.

**165.** The lessons identified by the Inquiry apply to both the planning and preparation for post-conflict operations, of which reconstruction is a major but not the sole component, and to post-conflict operations themselves.

**166.** Analysis of the available material must draw on multiple perspectives, reflect dissenting views, identify risk – including that associated with any gaps in knowledge – and consider a range of options.

**167.** Information must be shared as widely across departments as is necessary to support that approach.

**168.** Information-gathering and analysis of the nature and scale of the potential task should be systematic and as thorough as possible, and should capture the views and aspirations of local communities.

**169.** Plans derived from that analysis should:

- incorporate a range of options appropriate to different contingencies;
- reflect a realistic assessment of UK (and partners') resources and capabilities;
- integrate civilian and military objectives and capabilities in support of a single UK strategy;
- be exposed to scrutiny and challenge at Ministerial, senior official and expert level;
- be reviewed regularly and, if the strategic context, risk profile or projected cost changes significantly, be revised.

**170.** A government must prepare for a range of scenarios, not just the best case, and should not assume that it will be able to improvise.

**171.** Where the UK is the junior partner and is unable during planning or implementation to secure the outcome it requires, it should take stock of whether to attach conditions to continued participation and whether further involvement would be consistent with the UK's strategic interest.

**172.** Public statements on the extent of the UK's ambition should reflect a realistic assessment of what is achievable. To do otherwise is to risk even greater disillusionment and a loss of UK credibility.

**173.** Departmental priorities and interests will inevitably continue to diverge even where an inter-departmental body with a cross-government role, currently the SU, is in place. Therefore, co-operation between departments needs continual reinforcement at official and Ministerial levels.

**174.** The Head of the SU must be sufficiently senior and the SU enjoy recognition inside and outside government as a centre of excellence in its field if the Unit is to have credibility and influence in No.10, the National Security Council, the Treasury, the FCO, DFID and the MOD, and with the military.

**175.** Section 9.8 sets out the Inquiry's conclusions and lessons on strategy-making.