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10 December 2003

To:

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From:

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## **POST-CONFLICT RESOLUTION : IRAQ**

### Summary

1. You requested a note on UKTI's experiences. My apologies for the delay. I have seen the paper circulated by John Sawers on post conflict reconstruction, and your e-mail on last week's Cabinet Office meeting.
2. The interests of, and the potential contribution to reconstruction that could have been made by, the private sector, was not a high enough inter-departmental priority in the early stages of this work; though UKTI's activities have resulted in a reasonable amount of business for UK firms, and have been recognised as effective by the major private sector stakeholders.

### Detail

3. UKTI's role has been to position UK companies as effectively as possible to benefit from the commercial opportunities presented by Iraq reconstruction, including for companies with existing equipment installed in Iraq. The background to this was industry

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concern that previous such exercises (the first Gulf war, Kosovo) had seen UK companies excluded.

4. It took time, initially, to persuade Ministers that this was a legitimate objective that the Government should be seen to be promoting actively, rather than by default. There was a concern that it would appear to be ambulance-chasing. We were able to take some limited initiatives with UK firms before the conflict started (while emphasising that, given that our aims were disarmament rather than regime change, we were inhibited from being more proactive), but were criticised by some for not being further advanced in our preparations.

5. The inter-departmental structures to handle reconstruction issues, both during and after the conflict, allowed UK Trade and Investment to register this interest. But the departments responsible for overseeing this coordination made clear at an early stage that UK commercial interests were a lower priority than other aspects of reconstruction. The result, as Robin Young and I made clear at the 20 November meeting of the International Sub-Group of the Civil Service Management Board, 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.

6. This is not simply a question of companies hoping to come into Iraq for the first time on the back of reconstruction opportunities, but UK firms who have traded with Iraq in the past and who wish to restore and maintain equipment they have already installed there. DFID concentration on international competitive tendering for all development funded reconstruction and ECGD's understandable reluctance to accept a high level of repayment risk in granting cover further inhibited a proactive and joined-up approach.

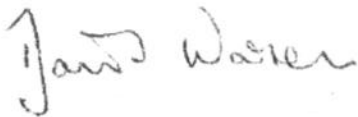
7. The result is that promoting the interest of UK companies in Iraqi reconstruction has been seen as solely the responsibility of UKTI, notwithstanding that the activities of other parts of Government impinge on this eg DFID (as already mentioned), MOD (provision of security to UK contractors operating in Iraq, possible identification of reconstruction projects that UK companies could compete for) as well as the network of UK secondees in Iraq, both in the CPA and in the Governorates.

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8. We have also found ourselves undertaking work to contribute to capacity building in Iraq (eg secondments of staff to advise on more effective procurement procedures, from which in the long term UK companies might benefit), which should more properly be the responsibility of DFID. In the interest of speed, we have not been bureaucratic about this. Through our participation in the inter-Whitehall organisational networks set up to deal with reconstruction, we have sought to give UK company interests as high a profile as possible.

9. Cooperation at working level with DFID has been reasonable, and there is now a genuine flow of information in our direction, much of which is of value to UK firms. Ministerial lobbying with the US, promotional activity with companies in the UK and key multiplier organisations (eg the British Consultants and Contractors Bureau), and our own dissemination of project information to UK companies have helped us position a reasonable number of UK firms to take advantage of what opportunities there are in a very difficult security environment. But the inter-departmental machinery was not set up to promote both governmental priorities – effective reconstruction and effective support for the UK private sector in this work – as of equal priority.



David Warren

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