

Thursday, 17 December 2009

(11.30 am)

MR JIM DRUMMOND, MR MARTIN DINHAM and MR STEPHEN PICKFORD

THE CHAIRMAN: Good morning. I think we are all looking forward and hoping for a snow-free day. I can't speak of tomorrow.

The objective for this session is to continue hearing about the realities of trying to deliver the UK's objectives in Iraq, and we are building on perspectives we have already had from witnesses who include Sir Suma Chakrabarti, Sir Hilary Synnott, Sir John Sawers, Sir Jeremy Greenstock and military witnesses. And today our witnesses are two former directors with responsibility for Iraq in the Department for International Development: Jim Drummond and Martin Dinham, and we also have a former Director for International Finance in the Treasury, Stephen Pickford, all three still serving in their respective departments.

Jim Drummond and Martin Dinham will continue the story -- do you mind "DFID" as a contraction?

MR MARTIN DINHAM: That's fine.

THE CHAIRMAN: -- from a DFID perspective, started by Sir Suma Chakrabarti, and Stephen Pickford can provide us with a Treasury perspective on international finance issues such as the International Monetary Fund.

1 The subsequent and different witnesses, though, will
2 be looking at the UK financing aspect.

3 We have a different member of the secretariat at our
4 table today as the secretary is temporarily indisposed.

5 The session will seek a broadly chronological
6 approach starting in the Coalition Provisional Authority
7 period in 2003, going up to spring 2007, and subsequent
8 witnesses at a later date in the New Year will continue
9 the story up to 2009.

10 Our three witnesses worked on Iraq at different
11 points during this period and we will comment on the
12 periods that are relevant to their engagement with Iraq.

13 Two other general comments: the Inquiry has access
14 to a very large volume of government papers, including
15 the most highly classified for the period under
16 consideration. We are continuing to develop the picture
17 of policy debates and decision-making processes and the
18 events on which they bear, and these evidence sessions
19 are important as an element in informing our thinking
20 and complementing the documentary evidence. It is
21 important, therefore, that witnesses are, and feel able
22 to be, open and frank in their evidence while respecting
23 national security.

24 We recognise that witnesses give evidence based on
25 their recollection of events. We are, of course,

1 checking what we hear against the papers to which we
2 have access, some of which are still coming in.

3 I remind all witnesses that they will later be asked
4 to sign a transcript of their evidence to the effect the
5 evidence they have given is truthful, fair and accurate.

6 I wonder if we could begin by my inviting the
7 witnesses briefly to describe their roles and the
8 periods they worked on Iraq. Could we start with you,
9 Mr Dinham?

10 MR MARTIN DINHAM: Yes. I started working on Iraq at the
11 beginning of 2005, when I became Director for Europe,
12 Middle East and the Americas, and I worked through --
13 I worked through that period until -- I think it was
14 June 2007.

15 THE CHAIRMAN: Right. Thanks. Mr Drummond?

16 MR JIM DRUMMOND: I came back from the Cabinet Office in
17 September 2003, when DFID set up a separate directorate
18 for Iraq, and became Director for Iraq reporting to
19 Suma Chakrabarti and stayed in that role until just
20 before Christmas in 2004.

21 THE CHAIRMAN: Thank you. Mr Pickford?

22 MR STEPHEN PICKFORD: I was Director for International
23 Finance in the Treasury from the beginning of 2002
24 through to the summer of 2006, therefore covering most
25 of the period.

1 THE CHAIRMAN: Yes, thank you very much. Let's begin the
2 questioning and I will turn to Sir Martin Gilbert.
3 Sir Martin?

4 SIR MARTIN GILBERT: Mr Drummond, I would like to ask --
5 I am going to be asking solely about the CPA period --
6 what DFID's specific objectives were during the CPA
7 period, and in particular the balance between the
8 national and southern focus.

9 MR JIM DRUMMOND: Well, during the CPA period DFID played
10 a role in terms of putting staff into CPA in Baghdad.
11 It played a role putting staff into the CPA in Basra.
12 I think we had about 24 staff in CPA in Baghdad and
13 about 40 over the period in the CPA in Basra.

14 The CPA, of course, was the effective government of
15 Iraq at the time, and so our task was really to try to
16 make that government function as best it could and at
17 the same time to prepare the Iraqis for the role that
18 they would need to play when they took over in the
19 middle of 2004.

20 SIR MARTIN GILBERT: Did we have greater autonomy of action
21 in the south?

22 MR JIM DRUMMOND: I think we did have greater autonomy of
23 action, yes. Hilary Synnott, as he told you, was in
24 charge of the CPA South for four or five months and then
25 Patrick Nixon followed him. They took instruction from

1 time to time from Paul Bremer, but I think they did have
2 a degree of autonomy in doing that, yes.

3 SIR MARTIN GILBERT: Did this affect the objectives in Iraq
4 nationally and the south?

5 MR JIM DRUMMOND: Well, the objectives were to try to get
6 reconstruction going, to try to build Iraqi capacity,
7 and DFID's contribution to this process was partly to
8 help the political process, but our main role was to
9 try to get the economy moving, to try to get
10 governance developed.

11 SIR MARTIN GILBERT: I will come later to specific
12 details, but perhaps I could just turn to Mr Pickford
13 and ask how the Treasury contributed to DFID and its
14 objectives at the time and to what extent the Treasury
15 objectives were in harmony with the DFID?

16 THE CHAIRMAN: Recalling we are talking about the
17 international finance.

18 MR STEPHEN PICKFORD: Indeed.

19 SIR MARTIN GILBERT: Yes, indeed.

20 MR STEPHEN PICKFORD: That's right. The whole issue of the
21 Treasury's provision of resources, which is both for
22 DFID and for the MoD, I think you will deal with
23 separately.

24 THE CHAIRMAN: For another day.

25 MR STEPHEN PICKFORD: We were involved in the CPA quite

1 directly. We provided from early on in the life of the
2 CPA a number of secondees who worked on the core
3 treasury issues, of which primarily they were to do with
4 setting up budgeting systems and monetary
5 policy frameworks, and we provided staff resources
6 directly into the CPA. We also had operations back in
7 London, providing some of the analytical
8 backing for that.

9 And we also had direct discussions with the US and
10 others capital to capital. So, again, basically
11 concentrating on the areas where we thought we could add
12 most value, which is the budgeting framework, the fiscal
13 framework and the monetary issues, including the
14 currency exchange.

15 SIR MARTIN GILBERT: How many people were involved in terms
16 of personnel?

17 MR STEPHEN PICKFORD: Through the whole period we had six
18 people and one from the Bank of England. They weren't
19 all there at the same time, so probably at any one time
20 there were maybe three people there, which doesn't sound
21 a lot but actually they were operating on the very core
22 functions in the CPA.

23 SIR MARTIN GILBERT: Thank you very much. I would now like
24 to ask both of you, as it were, one by one, in terms of
25 the CPA how the CPA worked and the dominance obviously

1 in the CPA of the United States.

2 What challenges did we encounter respectively, the
3 Treasury and DFID, in working with the United States
4 during the CPA period? This is something which a number
5 of witnesses have referred to, but we would be
6 interested to know what your perspective of this is.

7 MR STEPHEN PICKFORD: I suspect our experience was much the
8 same as others, which is that the CPA was struggling to
9 carry out its role effectively and that was partly to do
10 with the very rapid turnover in the CPA -- our
11 secondees and the American secondees tended to be there
12 only for a matter of months -- and partly reflecting the
13 difficult operating circumstances.

14 Another reason was some policy disagreements in
15 Washington, which, again, you have heard of before so
16 there is no surprise about that.

17 Certainly in the early days of the CPA our
18 perception was that the interagency process didn't work
19 very well in Washington, but that the Department of
20 Defence had a dominant role. I think we had
21 a lot of dialogue with the US Treasury and we came at
22 things from very much the same angle. But I think they
23 had some difficulties getting their voice heard in the
24 CPA. I think that changed after the first few months,
25 especially when the decision was taken to hand

1 over to the transitional government in mid 2004.

2 MR JIM DRUMMOND: Yes, my recollection is that the CPA was
3 set up really at great speed and drew in people very
4 fast from different bits of the US system, quite a lot
5 of them with military background, quite a lot of them
6 rather inexperienced. So getting some traction on that
7 and getting the traction on the instructions, whatever
8 they were, coming from Washington was really quite
9 difficult in the early stages.

10 I think as we got one or two key staff into the CPA,
11 for example, Andy Bearpark, who you may be seeing
12 separately, who was a Director of Reconstruction in the
13 CPA, that became somewhat easier. But they were
14 suddenly put in charge of in effect all of Iraq's oil
15 revenue, in effect Iraq's budget. So they had to
16 establish processes for dealing with that at quite high
17 speed, and we found that quite a challenge to interact
18 with.

19 I think as we got into the second half of the CPA
20 period, the DFID staff in Baghdad were sitting on the
21 board that made decisions about allocation of funding
22 and were quite influential in shaping some of the
23 direction of that.

24 SIR MARTIN GILBERT: Did the challenges vary between Baghdad
25 and Basra? Sir Suma Chakrabarti spoke of the problems,

1 for example, of getting CPA funds released for CPA
2 South. Can you elaborate on that for us?

3 MR JIM DRUMMOND: That was certainly a challenge. I think
4 it's an area we had a bit of a success, actually.

5 I think if you look back on the Saddam Hussein
6 period, Basra clearly got very, very little resource
7 during that time. If you then look at the CPA period
8 and look at the amount of resource that flowed from the
9 development fund from Iraq, in effect Iraq's oil
10 resources, down to Basra then CPA South, I think,
11 managed to get about \$400 million flowing into projects,
12 some of which were co-financed with DFID -- the
13 emergency infrastructure programme that
14 Sir Hilary Synnott spoke to you about was in effect
15 co-financed with £20 million from DFID and \$90 million
16 of CPA money.

17 But overall there was about \$400 million, I think,
18 that flowed down through CPA South and it was very
19 important having staff in CPA South who had the
20 technical competence to try to ensure that money was
21 well spent. And one of the challenges at the end of the
22 CPA period was when that responsibility for that budget
23 went back to the Iraqis, how do you continue to continue
24 to try to get that money down, and that was actually
25 quite a tough one.

1 SIR MARTIN GILBERT: In the early days what were the
2 processes whereby this success was achieved?

3 MR JIM DRUMMOND: Well, I think it was a lot of banging on
4 doors, actually. I remember Hilary Synnott and
5 Rod Matthews, who was the senior DFID representative in
6 CPA South, having to go to Baghdad and knock on doors,
7 liaising with Andy Bearpark worked quite well because he
8 was in a strategic position in the CPA in Baghdad and
9 they did manage to get money, which probably saved the
10 Treasury some money actually because they managed to get
11 some Iraqi oil money down to Basra.

12 SIR MARTIN GILBERT: You have mentioned the secondments to
13 the CPA and I wondered what our strategy was to the
14 secondments and how the department responded, what the
15 sort of procedure was of putting these essentially
16 crucial people into the CPA structure?

17 MR JIM DRUMMOND: Well, CPA South, Sir Hilary Synnott,
18 working with us, identified, I think it was 37 posts
19 that he wanted to have filled, and we agreed to do that.
20 We asked the Crown Agents to source those people
21 from the market, because we didn't at that stage across
22 government have a pool of people that could easily be
23 called upon, although the Iraq Planning Unit based in
24 the Foreign Office had managed to get quite a number of
25 civil servants from Treasury, DFID and across government

1 into the CPA in the early day. But for Basra we were
2 looking really to fund from contractors in the market,
3 partly because we were looking for specialist skills in
4 project implementation that we don't necessarily have
5 full-time in DFID.

6 SIR MARTIN GILBERT: Were these things which essentially had
7 to be worked out once the conflict began or had there
8 been some chance of preparing the secondment system
9 before March 2003?

10 MR JIM DRUMMOND: I think that kicked in pretty soon after
11 the conflict. I don't recall -- but then I wasn't in
12 DFID at the time, but I don't recall from where I sat in
13 the Cabinet Office there being a lot of preparations
14 saying we will need X, Y and Z skills, partly because
15 I think we just didn't know at the time.

16 SIR MARTIN GILBERT: Sir Hilary Synnott did speak about the
17 difficulties which DFID faced in mobilising staff to the
18 south. Can you explain those and perhaps how they were
19 overcome?

20 MR JIM DRUMMOND: We essentially let a contract with the
21 Crown Agents to supply people for these 37 posts and we
22 advertised, I think, some of them -- we did advertise
23 some of them across DFID, but mostly they were people
24 who came from the market. I think Sir Hilary said that
25 17 had arrived out of the 37 by Christmas.

1 I think shortly after Christmas -- because people,
2 when they got a contract in December, said, "Can I start
3 on 1 January" -- arrived in slightly greater numbers
4 after Christmas. But in terms of the lesson learning,
5 I think this is one of the issues: being able to deploy
6 people more quickly. And there has been quite a lot of
7 work across government to set up a cadre of people who
8 can do this now.

9 SIR MARTIN GILBERT: In terms of the secondments to the CPA
10 in Baghdad, how effective were our secondments in
11 influencing United States policy?

12 MR JIM DRUMMOND: I think some of them at senior levels
13 were -- I mentioned the Director of Reconstruction.
14 I think he was quite influential on Bremer's thinking on
15 reconstruction. I think some of the Treasury secondees
16 on the economy were very, very influential actually in
17 shaping the US thinking on what needed to be done on
18 relations with the IMF, on debt rescheduling, on
19 unifying the Iraqi currency, because you will recall
20 there were two currencies in Iraq at the time of the
21 invasion and bringing those together was quite a major
22 achievement, I thought, in the first nine months.

23 THE CHAIRMAN: Just to chip in, if I may, Martin, it's
24 perhaps worth Stephen Pickford reminding us, because you
25 sat on the board of the Bank and Fund in Washington,

1 didn't you, so you had your contacts ready-made when you
2 took on the Iraq load? Were those of real value as
3 continuing relationships?

4 MR STEPHEN PICKFORD: Yes, the relationships with the IMF
5 and to a lesser extent the World Bank because that
6 relationship was managed from DFID, but nevertheless we
7 had very extensive contacts with the IMF.

8 As you recall, they established a presence in
9 Baghdad soon after the conflict, but then they moved out
10 after the August bombing.

11 THE CHAIRMAN: Yes.

12 MR STEPHEN PICKFORD: And they never went back. And,
13 therefore, what we did was we tried to keep them
14 informed about what was going on from our secondees, from the
15 information that they were providing back to us in
16 London, but also involve them in the decisions that were
17 being taken. So, for example, on the currency exchange, we
18 were at pains to get IMF advice on that. Similarly,
19 working with them on the debt relief side. And, indeed,
20 all the time that the CPA was in existence we tried to
21 involve them in all of the legislation, the economic
22 legislation, which was being put forward and
23 implemented by the CPA, for example, the Financial
24 Management Law which certainly one of our secondees was
25 very much involved in.

1 THE CHAIRMAN: Thank you.

2 SIR MARTIN GILBERT: We have seen concerns expressed in the
3 Ad Hoc Ministerial Group on Iraq Rehabilitation about
4 the gap between the national CPA administration and the
5 local government structures in Iraq in the summer
6 of 2003 and the establishment of what I believe were
7 called government teams to address this. I wonder if
8 you could tell us something about these teams and the
9 DFID involvement and whether we had a specific impact
10 through them on this disconnect between Baghdad and the
11 local situations?

12 MR JIM DRUMMOND: Well, I think the main focus for the UK
13 was on government teams in the south, the four
14 governorates in the south. We concentrated our staffing
15 resources on Basra and people visited out to the other
16 governorates from Basra, as I recall it. There were
17 governorate teams led by other countries in the other
18 three governorates, which -- I will check my data on
19 this, but my recollection on this is that there were
20 Danes, Italian, Japanese in the other governorates in
21 the south. So there was a liaison role, and
22 Hilary Synnott as head of CPA South was in charge of the
23 whole area.

24 We didn't, I think, put staff into -- directly into
25 those other governorate teams, but we did certainly have

1 staff concentrated in Basra who fed out to those, and
2 I remember going to meet the Danes on a visit.

3 SIR MARTIN GILBERT: How did they operate? How effective
4 were they?

5 MR JIM DRUMMOND: I think it varied probably according to
6 the problems that they faced, according to the rules
7 with which they came from their own countries. And the
8 Japanese had slightly more restrictive rules than Danes,
9 for example. And I think it depended also on the
10 security situation in the governorate in which they were
11 operating and how well they managed to liaise with the
12 local tribal leaders, the local authorities.

13 But there was a great disappearance of government
14 from across the south when the Ba'athists left, as it
15 were.

16 SIR MARTIN GILBERT: How many people did we have in our
17 teams in the areas we responsible for or active in?

18 MR JIM DRUMMOND: Well, in Basra, the CPA South staffing
19 complement was around about 150, I think, in total,
20 comprised of Americans, Danes, Italians, others, as well
21 as UK and Americans.

22 SIR MARTIN GILBERT: One other group which has come up in
23 material that we have got are the Quick Impact Projects,
24 also with an acronym, QIP. I wondered what were these
25 and how were they funded? What was their immediate

1 impact? Again, through the DFID system, how we were
2 involved with these?

3 MR JIM DRUMMOND: Quick Impact Projects were largely
4 implemented by the military with money from the Treasury
5 directly, and DFID provided advice working alongside the
6 military in the early days. This was actually mostly
7 before my time in this particular job, but quick impact
8 projects are designed to win hearts and minds of the
9 local population, and so primarily to help the military
10 in their tasks. But they also on the ground helped to
11 get schools up and running again, or health facilities
12 up and running again, and they are very valuable in the
13 early stages post --

14 THE CHAIRMAN: Were they a concept unique to Iraq or were
15 they an established concept?

16 MR JIM DRUMMOND: They were an established concept, yes,
17 used pretty widely in the Balkans and elsewhere, and
18 I think in the first few months in Iraq they provided
19 a very valuable function and were in a sense most of
20 what the resource was.

21 I think by the time I came into the job, we were
22 moving into emergency infrastructure programmes which,
23 if you like, were a level higher, quick impact projects.
24 I think the military have a delegated authority of
25 £50,000. So these are pretty small-scale.

1 SIR MARTIN GILBERT: These were mentioned earlier by one of
2 our military witnesses.

3 MR JIM DRUMMOND: Yes, and when we moved on to the emergency
4 infrastructure programme, which is the programme that
5 DFID put £20 million into and secured \$90 million on top
6 of that from the CPA in Baghdad to implement, that was
7 repairing infrastructure at a rather higher level,
8 trying to use Iraqi contractors, trying to do much more
9 consultation with the Iraqi population as to what they
10 wanted.

11 SIR MARTIN GILBERT: Right. Those are what I want to ask
12 about next actually, because this was something where
13 the Prime Minister had asked DFID to provide detailed
14 plans, detailed proposals and obviously regarded as very
15 important, and I wondered if you could perhaps elaborate
16 a little on these immediate infrastructure projects and,
17 again, from the point of view of the sort of practical
18 activities of DFID and the achievements and setbacks, if
19 there were setbacks.

20 MR JIM DRUMMOND: This programme was developed jointly
21 really with the military and with Hilary Synnott, who
22 gave it a big push. It contained 40 different projects,
23 largely identified by the Royal Engineers. DFID brought
24 in consultants from Mott MacDonald to help in the
25 design; Rod Matthews, who was the senior infrastructure

1 guy from DFID, talked to the Iraqi electricity people,
2 water people in Basra, when he could find them, and to
3 local Councils about what the priorities were and tried
4 to design it in a way which met Iraqi needs and provided
5 jobs to Iraqis to -- when they were laying water
6 pipelines around Basra, for example -- and obviously if
7 you can do that with Iraqi labour in a capital-intensive
8 way, that's a good thing to do in a post-conflict
9 situation.

10 So this programme was successfully delivered by
11 about the middle of 2004 and did help to improve the
12 supply of power, water supplies in Basra and provided
13 quite a few jobs. But I think it was actually
14 a successful example of how DFID and the military worked
15 together.

16 SIR MARTIN GILBERT: I would like to turn to the question of
17 funding and, of course, the United States was investing
18 huge sums in the reconstruction of Iraq.

19 The scale of the task as it appeared to you, it
20 appeared to the UK, involved an attempt to drum up
21 support from other donors, and this was led or went
22 through the Madrid donors conference in October 2003.
23 Can you explain to us -- both Mr Pickford and
24 Mr Drummond really -- what were the obstacles to
25 securing greater donor support for Iraq, and as

1 a corollary to that, what impact did the then
2 deteriorating situation have on the attempt to obtain
3 greater funds, greater support?

4 MR JIM DRUMMOND: I think it had always been assumed that
5 the World Bank and the UN would play a big role in the
6 reconstruction of Iraq, and the UN and the World Bank
7 did a joint needs assessment from July/August/September,
8 so that a report was ready for the Madrid donors
9 conference. It had a price tag on it of \$55 billion,
10 which is --

11 MR STEPHEN PICKFORD: I think the UN/World Bank one was 36
12 and then there was an extra 20 from the CPA, was my
13 understanding.

14 MR JIM DRUMMOND: All right. Anyway, a very large sum --
15 which they presented to the donors in Madrid. DFID and
16 Hilary Benn in particular played a big role in trying to
17 drum up support from the others.

18 I think the fact that the World Bank and the UN had
19 done this made it easier. This wasn't just a US/UK
20 number coming up. It made it easier to get extra
21 support. We were worried initially that we wouldn't be
22 successful. In the end the pledges, I think, on the day
23 added up to about \$32 billion, and there were a few more
24 that followed after that.

25 So in terms of money put on the table, that was

1 successful. The UK pledge was getting on for
2 \$1 billion, the US pledge was I think \$18 billion. So
3 that sort of gives you an idea of the scale of relative
4 contribution.

5 The security situation did play a very big part in
6 how fast people could disburse. We ended up with
7 relatively few donors with a presence in Iraq. As
8 Stephen said, the World Bank and the UN -- the UN had
9 local staff who were -- remained active, but the
10 World Bank and the IMF essentially pulled out. There
11 were relatively few donor experts from other countries,
12 and so the main contribution was -- in terms of
13 expertise was certainly the US and the UK.

14 That's quite a constraint actually, if you have got
15 large numbers of countries pledging money but then not
16 having any expertise on the ground to spend it. That
17 was one of the reasons why we wanted to establish this
18 trust fund mechanism managed by the World Bank and
19 the UN.

20 Just while I'm talking about that, I think yesterday
21 you were told -- the day before -- by General Rollo that
22 the UK contributed \$300 million to a UN trust fund. The
23 UN -- the UK contributed £30 million to the UN trust
24 fund and £40 million to the World Bank trust fund.

25 THE CHAIRMAN: Thank you for the correction.

1 Having interrupted, I would like to go back, or
2 maybe forward, because we are coming on I think to the
3 deteriorating security situation.

4 Of course, you have already had the August bombing
5 and that's part of the crucial context, isn't it, and it
6 is really going back to Sir Martin's questions about
7 QIPs as against medium- to long-term projects.

8 We have heard a great deal from other witnesses
9 about the huge expectations, in the south-east anyway,
10 that somehow magic wands would be waved and all the
11 infrastructure would come right in a hurry. Were the
12 QIPs really a way of buying time and consent while the
13 necessarily medium- and long-term projects came through
14 over the years following, or were they of real value in
15 their own right in improving living conditions for
16 Baswaris?

17 MR JIM DRUMMOND: I think on a small scale they were
18 valuable in their own right in getting some facilities
19 up and running quickly after the invasion, but a project
20 of £50,000 is pretty small.

21 THE CHAIRMAN: In a city of 3 million.

22 MR JIM DRUMMOND: Probably 2 million, but yes. So they
23 served a purpose, but it is a limited purpose.

24 What we were trying to do was -- in the CPA period,
25 as the UK, was a set of programmes that were a level

1 above that, if you like, in restoring infrastructure.

2 THE CHAIRMAN: And level above and necessarily of longer

3 term achievement?

4 MR JIM DRUMMOND: Longer term achievement, but achieved over

5 a year. I think if you look at the electricity sector

6 or the water sector in Iraq, it needed massive

7 investment. You know, it costs about \$1 million to get

8 a megawatt of power, was the number that we were

9 probably rather simplistically working with at the time.

10 The estimate in 2004 was that we needed about 6,000

11 megawatts of new power. Investment started then.

12 THE CHAIRMAN: So \$6 billion as a rough estimate?

13 MR JIM DRUMMOND: So that's a huge amount.

14 THE CHAIRMAN: Martin, can I just follow this up one more

15 time?

16 We had some evidence that looking at CPA Baghdad,

17 the American approach had been very much to let really

18 sizeable major contracts which necessarily were of quite

19 a long duration. But gradually over the CPA it was

20 realised that something more like QIPs across Iraq as

21 a whole did have value in establishing consent and

22 projecting visible aid/assistance.

23 Would your analysis go along with that, that there

24 was an evolution of dominant American thinking in CPA

25 Baghdad?

1 MR JIM DRUMMOND: I think there was -- you know, there is an
2 acceptance that you need to carry on doing these
3 relatively small-scale things, but I don't think that
4 they solved the longer term problem which really
5 requires massive investment, and so there is a role for
6 both things.

7 THE CHAIRMAN: Thank you.

8 SIR MARTIN GILBERT: Before I come on to that aspect,
9 I would like just to return briefly to the effects of
10 the August bombing, the deteriorating security
11 situation, particularly how this affected your ability
12 and, I suppose, also the Treasury's ability to deliver
13 its objectives.

14 How serious was this and how much did it involve
15 a scaling-down of what we had hoped to be able to do
16 during that period?

17 MR JIM DRUMMOND: I think it had a very serious impact.
18 I don't think we realised at the time quite how serious
19 it was going to be, because -- well, as you will have
20 seen, we envisaged a major role for the UN in this
21 process, and removal of the UN, a large number of their
22 international staff anyway, from the scene into Amman --
23 they continued to visit from Amman, but it is not the
24 same thing. I think the IMF and the World Bank not
25 being there meant that we had to supplement them with

1 the local knowledge, the contacts ourselves.

2 So as Stephen said, we were feeding back information
3 to them and, in fact, when the IMF programme was
4 eventually put together in the second half of 2004,
5 a lot of the local work was done by consultants funded
6 by DFID at that stage. Obviously there were telephones,
7 video conferencing facilities to the IMF in Washington,
8 but a lot of brokering was done by DFID.

9 SIR MARTIN GILBERT: Were there issues with regard to the
10 increased risk to your staff, and how were those
11 managed?

12 MR JIM DRUMMOND: Well, there certainly were and it
13 restricted what we could do. The first time I went to
14 Baghdad, I could travel by road from the airport into
15 the town, I could go out with a close protection team to
16 see ministers in their offices, similarly in Basra.

17 By 2004 we couldn't do that. You were helicoptering
18 in from the airport in Baghdad to the Green Zone and not
19 leaving the Green Zone. You could visit the
20 Prime Minister's office in the Green Zone and some of
21 the other ministries were there, but it was much more
22 restrictive. And in Basra there were quite long periods
23 in 2004 when staff were simply locked down. And if your
24 business is to try to get out and build Iraqi systems
25 and influence the Iraqi population and you can't get

1 out, sometimes they would come in at considerable risks
2 to themselves.

3 It also puts up costs, because you have to pay for
4 extra protection on buildings, you have to have bigger
5 convoys of close protection teams. So that adds to the
6 cost and the difficulty of travel.

7 SIR MARTIN GILBERT: Did this mean you had to re-evaluate
8 the various timeframes for the projects from your
9 initial rather ambitious schemes to get it done?

10 MR JIM DRUMMOND: It meant that we were unable to deliver on
11 some of the things that we wanted to deliver and had to
12 look for other ways of doing that.

13 In Martin's time, we had to find quite a lot of
14 creative ways of trying to monitor things that were
15 being done when we couldn't send our own staff out to
16 see them.

17 SIR MARTIN GILBERT: Right. I would like to turn now to the
18 Whitehall aspect and to the Ad Hoc Ministerial Committee
19 On Iraq for Rehabilitation, the new structure, supported
20 by what was called, I believe, a senior officials group.
21 And, again, I would like to ask Mr Pickford and
22 Mr Drummond in your view, how effective was this new
23 committee in terms of advising ministers, securing
24 decisions and essentially agreeing to the direction
25 which we would be taking during what remained of the CPA

1 period?

2 MR STEPHEN PICKFORD: My experience -- and I attended some
3 of the meetings, but by no means all -- was that it was
4 really quite effective in terms of co-ordinating across
5 Whitehall.

6 I mean, the issues that came up at the various
7 meetings were precisely the ones that we needed
8 decisions on at that time, decisions on the
9 actions that the UK would take on its own behalf
10 or decisions about how to influence CPA decisions or
11 US attitudes. My perception at the time was that it
12 covered a wide range of issues and it was a very
13 effective decision-making tool.

14 MR JIM DRUMMOND: Yes, I would share that. Clearly, before
15 the invasion, there was not the sort of collective
16 ministerial group operating. It was very good to have
17 it after and I think that they did focus a bit on
18 long-term strategy. The Cabinet Office produced
19 a strategy paper in September, which was ticked off by
20 the ministerial group. When we produced our DFID
21 country plan, which we did in early 2004, we put that
22 through the ministerial group.

23 When you are DFID and perceived to have large
24 amounts of free resource, it is very important that you
25 set some priorities and try to stick to them and you

1 have ministerial buy-in for that, because otherwise you
2 end up being pushed and pulled in lots of different
3 directions by immediate events, which isn't to say we
4 didn't adjust strategy as we went along, but we did have
5 to have some agreed priorities for what we were going to
6 do. And it was effective in doing that for us.

7 And I think it did a mixture of managing immediate
8 events pretty successfully and some looking ahead at
9 longer term strategy.

10 SIR MARTIN GILBERT: So these agreed priorities were
11 essentially what DFID wanted? They coincided with your
12 perception of what was happening on the ground, what was
13 needed on the ground? Would that be the case?

14 MR JIM DRUMMOND: We went through a process of consultation
15 with Iraqi ministers in Iraq, with some of the diaspora
16 in the UK, across government and with the CPA and other
17 donors with Bremer, and essentially had three
18 priorities, one of which was to try to keep the
19 international community engaged, certainly helping the
20 World Bank, the IMF, the UN, helping the Iraqis, who
21 were unaccustomed to dealing with aid donors, know how
22 to try to (inaudible).

23 SIR MARTIN GILBERT: If I can move on, if I may, to
24 early 2004 and particularly to your own visit,
25 I believe, with the Secretary of State to Basra and

1 Baghdad at that time. Could you tell us something of
2 the discussions with Paul Bremer and other senior
3 officials at the CPA at that time and what the issues
4 were that we, the UK, DFID, were trying to achieve, what
5 they were trying to achieve in those discussions?

6 MR JIM DRUMMOND: Well, one of the things we were trying to
7 achieve was sign off an announcement of this set of
8 priorities for DFID. Another was trying to look ahead
9 to the end of the CPA, because CPA actually covered
10 a relatively short period and in one sense
11 Hilary Synnott marched up the hill and Patrick Nixon had
12 to march it down again, at least to complete the set of
13 projects and programmes, and then look ahead to
14 preparing for the transfer of authority to the Iraqis.

15 So there was some discussion about the constitution
16 that would follow, the transition of administrative law
17 that Bremer had to announce, decide.

18 SIR MARTIN GILBERT: What was your input into that? What
19 was DFID's input to these discussions?

20 MR JIM DRUMMOND: Well, DFID was keen to build up Iraqi
21 capacity and so make sure that when the Iraqis were
22 given authority over their own budget, there was
23 a proper process that they could manage themselves, was
24 very keen to see on the economic management side that
25 a debt deal was done, because investment wouldn't come

1 into Iraq unless something was done about this great
2 overhang of debt.

3 SIR MARTIN GILBERT: Were they difficult discussions? Was
4 there any tension between the CPA and UK positions?

5 MR JIM DRUMMOND: I don't recall -- I mean, I think it was
6 a polite discussion with Bremer. I don't recall there
7 being particular disagreement about anything. He was
8 content with what DFID said was -- Hilary Benn said we
9 were going to (inaudible) as our priorities, and he
10 was -- this was, I think, February 2004 -- and he was at
11 the early-ish stages of working through what the
12 transition administrative law would say.

13 SIR MARTIN GILBERT: My final question before
14 Baroness Prashar takes us, as it were, beyond the CPA,
15 again relates to one of your journeys and you certainly
16 seem to have had an enormous amount of work at that
17 time. And this is your visit to Washington with a team,
18 which I believe was also Foreign Office and MoD, and in
19 the beginning of April 2004 and, again, it would be
20 quite important, I think, for us to know what was
21 discussed at that and, again, in terms of the direction
22 which the United States policy was going and what we
23 felt the directions would be, and what message were you
24 giving your American interlocutors at that time? How
25 was it --

1 MR JIM DRUMMOND: I think on the development side there were
2 essentially two. One is about macroeconomic management
3 issues that we have touched on already and what was
4 going to happen in the second half of 2004, and the
5 other was about trying to get US resources mobilised to
6 help us in part in the south, really, because we knew
7 that as the UK we didn't have enough resource for this
8 major investment that we have talked about in terms of
9 power, for example. And so we were very keen to know
10 how the US was going to manage its own programmes beyond
11 the end of the CPA, because we were at that stage no
12 longer going to have authority over the development fund
13 for Iraq because the Iraqis were going to spend their
14 own money.

15 The Americans had got a very large amount of money
16 that they had pledged and were starting to deliver.
17 They were setting up their project contracting office,
18 PCO. We were very keen that they got established in the
19 south, and so there was a range of issues around that on
20 the development side.

21 I think on the macroeconomic stuff, we were in
22 pretty good shape with the Americans and not disagreeing
23 very much about that.

24 On the reconstruction side and how US money was
25 going to be used, I think we got some assurances how --

1 commitment that they were going to set up an office in
2 Basra and that money was going to flow through that. It
3 then happened a bit slowly.

4 THE CHAIRMAN: I think Congress had applied some quite
5 constraining metrics, hadn't they, to the release of the
6 \$18 million funding that they had set up? Was that
7 a constraint for us as well? Yes, it was, presumably.

8 MR JIM DRUMMOND: In terms of getting access to their
9 funding, yes.

10 SIR MARTIN GILBERT: Finally, before I hand over to
11 Baroness Prashar, could you sum up for us what were the
12 achievements in those very difficult circumstances of
13 the CPA period, I mean including the security situation?
14 What were DFID's achievements during this period? How
15 could you sort of summarise them?

16 MR JIM DRUMMOND: I think we had helped to galvanise the
17 international donor community to contribute in Madrid.
18 I think that was quite a success. Delivering after
19 Madrid became more of a challenge because of security,
20 but in terms of bringing the international community
21 back together after what had been a fairly controversial
22 phase, then Madrid was a good point.

23 I think in terms of delivery in the south, the
24 infrastructure programmes that we had run jointly with
25 the military were successful. Did they have a huge

1 impact on security in Basra? I think you would have to
2 say the more difficult period of security in Basra
3 coincided pretty much with the delivery of these
4 programmes, so that the results from the programmes
5 were -- there may have been other causes rather than
6 slow delivery of these programmes which brought the
7 insecurity. And I think in terms of shaping the future
8 of the Iraqi economy for investment, working closely
9 with the Treasury, I think that was a success and we
10 provided quite a lot of support to the nascent
11 Prime Minister's office in Baghdad, and so that's what
12 I can say.

13 SIR MARTIN GILBERT: Thank you very much.

14 THE CHAIRMAN: I just wonder what the Treasury perspective
15 on that whole period is?

16 MR STEPHEN PICKFORD: I think during the CPA period, as
17 I said, our focus was more on trying to put in place the
18 underpinnings of an administration and an economy, and
19 we very much focused on the macro level issues:
20 putting in place budgeting systems that worked, that
21 allowed the Ministry of Finance to operate, when it took over the
22 role of the CPA in summer of 2004 -- I think that was
23 quite a significant achievement. It put in place
24 a transparent budgeting system which, given the amount
25 of money flowing through the budget from the oil

1 revenues, it was very important that it was spent
2 wisely.

3 I think we saw it as a major success that we had
4 a smooth currency exchange in what was, as you say,
5 a deteriorating security situation. So the fact that we
6 managed to get the currency decisions taken, the
7 currency printed and actually distributed in
8 a three-month period between October 2003 and
9 January 2004, if I remember rightly, I think was a major
10 achievement, because without those underpinnings I think
11 it would have been very difficult for the economy to
12 start to function again.

13 Equally, on the international side I think, as Jim
14 said, the Madrid conference was a very big success. It
15 certainly was more successful than we thought was going
16 to happen in the immediate period before it. And also
17 I think, as we went through 2004, we certainly worked
18 very hard on the debt relief issue, which was finally
19 decided towards the end of 2004.

20 THE CHAIRMAN: I suppose a fair question would be how much
21 of the Madrid pledges actually flowed through in the
22 end?

23 MR JIM DRUMMOND: I think that varied quite a lot from
24 country to country. With a lot of countries finding
25 it -- because they didn't have the capacity to spend --

1 difficult to deliver on that, and the UK position,
2 I think we were adding extra resource to the Madrid
3 pledge by 2006/2007.

4 MR MARTIN DINHAM: Yes, we spent our entire Madrid pledge
5 plus an extra 200 million.

6 BARONESS USHA PRASHAR: Thank you very much indeed.

7 Now we move on to the next phase, post-CPA. The
8 power has been transferred to the Iraqi interim
9 government. What did that mean in terms of operations
10 for you? What adjustments did you have to make and how
11 did you engage with the Iraqi interim government?

12 MR JIM DRUMMOND: Well, can I start in the south because --

13 BARONESS USHA PRASHAR: Yes, of course --

14 MR JIM DRUMMOND: Because a lot of practical adjustments had
15 to happen there.

16 The spring of 2004, it was clear -- actually before
17 that, but it was clear that the CPA was going to finish
18 at a particular time. We had to look at the sources of
19 revenue that might be flowing into the south. The major
20 sources of revenue were the Iraqi budget and the US
21 supplemental and a certain amount of DFID money as well.
22 But in terms of major amounts of money, there are those
23 two sources. So we had to redesign our set of
24 programmes really in the spring of 2004 to try to
25 respond to the changed circumstances.

1 We were under quite a lot of understandable pressure
2 from the military to make sure that this flow of CPA
3 money that had come down didn't suddenly dry up, and
4 I think, frankly, we were slightly optimistic about how
5 easy it would be to continue that flow of money down
6 after. You know, Hilary Synnott couldn't go off and get
7 a bagful of dollars from Bremer.

8 So what we did was establish a technical advisory
9 team of specialist water/power engineers, programme
10 deliverers, to try to work with the US, because -- who
11 were establishing their own project completion.

12 BARONESS USHA PRASHAR: Where was this team based?

13 MR JIM DRUMMOND: This team was based in Basra. We set
14 aside some money for employment generation and service
15 provision, about £16 million. We set up a team of
16 experts to provide support to the governorate, partly
17 with the intention of strengthening the governorates'
18 capacity, but also really trying to develop a budgeting
19 system so that they could draw down some of this Iraqi
20 money.

21 Then later, towards the end of my time,
22 Suma Chakrabarti and I visited and we decided that we
23 would have to put some extra money into infrastructure
24 ourselves. We hoped that that money would flow through
25 the US system or through the trust funds, but both of

1 those were proving slow in the south.

2 BARONESS USHA PRASHAR: So the focus shifted from Baghdad to
3 Basra?

4 MR JIM DRUMMOND: No, I think the major adjustments to what
5 we were actually programming had to happen in Basra
6 because there was no longer a CPA to deliver. So we had
7 to set up a bunch of programmes that responded to the
8 new circumstances.

9 In Baghdad, we had already provided some technical
10 assistance on the macroeconomic issues that we
11 discussed, which led, in the second half of 2004, to the
12 IMF programme and to the debt deal. We had a team of
13 people working with the Prime Minister's office.
14 Prime Minister Allawi essentially didn't have any --
15 Saddam Hussein private office clearly had disappeared.
16 There was no tradition really of a prime ministerial
17 system. So you had to set up a new structure under
18 a new prime minister and we provided staff for that
19 structure to make sure that there was a functioning
20 office.

21 We aspired to provide much wider assistance for
22 public administration reform. We did do some of that,
23 but it did become very difficult getting people out of
24 the Green Zone to work with ministries.

25 BARONESS USHA PRASHAR: What did that mean for you?

1 MR STEPHEN PICKFORD: We continued to focus on the trying
2 to put in place the institutions and focused on the
3 Ministry of Finance. I believe DFID funded a number of
4 consultants.

5 MR JIM DRUMMOND: We did.

6 MR STEPHEN PICKFORD: Two of which were our secondees who
7 transferred across --

8 BARONESS USHA PRASHAR: Secondees from --

9 MR STEPHEN PICKFORD: -- the Treasury.

10 BARONESS USHA PRASHAR: Yes.

11 MR STEPHEN PICKFORD: They set up and worked in the
12 macroeconomic unit in the Ministry of Finance, but I
13 think Phil Daniels was in charge. He was a consultant
14 which DFID provided. But we continued to focus on
15 trying to build up the capacity of the Ministry of
16 Finance.

17 BARONESS USHA PRASHAR: Obviously there was the challenges
18 of working with the USA as well post-CPA. You know,
19 what were they and how did you deal with those?

20 MR JIM DRUMMOND: Essentially at the end of the CPA there
21 was a debate about whether any sort of joint coalition
22 structure would be kept or whether we would divide into
23 our more traditional diplomatic presence with embassies,
24 and the decision was taken to divide into our diplomatic
25 structures. And I think that when Ambassador Negroponte

1 came, he was very keen to take a slightly different
2 approach to Bremer and to put the Iraqis up front,
3 I remember him saying that to us on a visit.

4 So we had to, through our office, through the
5 embassy, liaise as closely as we could with the US.
6 I think it was slightly more difficult because we were
7 no longer in a joint structure and they had their
8 systems for spending their money, whereas in the CPA
9 days it had been more united and there were clearly
10 staff who spanned both.

11 THE CHAIRMAN: Was there an almost complete dislocation of
12 the staff effort which had into the CPA both from the
13 United States with a huge majority, but also our own not
14 insignificant contribution? Was that all washed away?
15 People came back, people went home, or was there
16 a continuation into the UK embassy in our case?

17 MR JIM DRUMMOND: There was a continuation of staff,
18 certainly DFID staff, into the UK embassy and a number
19 of staff did come home. A number of people who had been
20 in senior positions in the CPA certainly came home, and
21 Andy Bearpark, I think, finished at that time, as did
22 a number of others.

23 In Basra, we kept on some of the CPA South technical
24 staff into this technical advisory team, but there was
25 quite a large drawing down of staff. I think it just

1 wasn't tenable really to carry on an office, really, of
2 150 people working in Basra. And the Iraqi Government
3 was clearly keen to take responsibility for itself.

4 BARONESS USHA PRASHAR: And the USA announced the
5 establishment of the reconstruction teams, which they
6 had, sort of following their application in Afghanistan?

7 MR JIM DRUMMOND: Provincial reconstruction teams?

8 BARONESS USHA PRASHAR: That's right.

9 MR JIM DRUMMOND: I think that was a little later.

10 MR MARTIN DINHAM: That came later in mid 2006.

11 BARONESS USHA PRASHAR: 2006. Not you, but the US did it in
12 2005, that's my understanding.

13 MR MARTIN DINHAM: I recall it was -- I think the principle
14 was brought in when Ambassador Khalilzad came, because
15 he had been in Afghanistan and brought the concept with
16 him.

17 I can't remember exactly when he arrived, but
18 certainly there was talk of PRTs being set up in
19 early 2006, but ours actually in Basra wasn't started to
20 be set up until April/May 2006.

21 THE CHAIRMAN: I think the first sighting of the PRT bird
22 was when Condi Rice was there in October of 2005. They
23 didn't actually happen and arrive on the scene
24 until 2006.

25 BARONESS USHA PRASHAR: Because I think ours started

1 in 2006, but it was the US announcement which was in
2 2005.

3 But what was the provincial reconstruction team in
4 south designed to actually achieve?

5 MR MARTIN DINHAM: It was set up to try to bring military
6 and civilian activity together to create a strong impact
7 on services in the south, to do some infrastructure
8 work, to look at governance and capacity building and
9 also business enterprise. So it involved
10 a number of different players -- some of the
11 military were involved, some of DFID staff,
12 the FCO, looking at the whole spectrum of
13 economic activities that could be carried out in Basra,
14 building on what had been achieved hitherto by our
15 combined effort there.

16 BARONESS USHA PRASHAR: How did they relate to the military
17 and the civilian operations already --

18 MR MARTIN DINHAM: For example, in DFID's case, we were
19 already carrying out a number of
20 capacity-building activities, particularly
21 governance-type activities and we associated our team of
22 six experts with the PRT. So that was part of our
23 contribution.

24 We also contributed the governance fund, which was
25 a fund for these experts, to it. We added on a bit later

1 on a water pumping station, which was part of our
2 continued infrastructure activities. So we were trying
3 to integrate the activities that had been going on
4 under previous arrangements, and similarly
5 I think the military themselves associated their
6 quick impact and other activities with the PRT.

7 So the idea was to make it a more coherent,
8 cross-coalition activity, because the US and the Danes
9 were also involved.

10 BARONESS USHA PRASHAR: How effective were these?

11 MR MARTIN DINHAM: What, the activities?

12 BARONESS USHA PRASHAR: Hm-mm.

13 MR MARTIN DINHAM: I think our concern -- taking a step
14 back, our concern at the idea of the PRT to start off
15 with was that it was in danger -- it could be in danger
16 of cutting across what we saw as
17 capacity-building activity, of building up the capacity
18 of the Iraqi system by being something that was too
19 donor driven; in other words, people coming in and doing
20 these activities. And we were keen to ensure that what
21 we were trying to do, which was building up the capacity
22 of the local authorities, was maintained. And I think
23 we managed to -- we managed to achieve that by
24 associating our activities with it and trying to work
25 very closely as far as we could with the local

1 provincial authorities.

2 But at that time, as Jim has alluded to, the
3 security situation was extremely difficult. I think it
4 was at its height between about the middle of 2006 and
5 the middle of 2007, when the most number of attacks were
6 taking place. So there was always a problem of
7 mobility, of access, of getting things done and, indeed,
8 of capacity building face-to-face.

9 So indeed, again, as Jim has said, we had to be very
10 ingenious and innovative in the ways we operated during
11 that period.

12 BARONESS USHA PRASHAR: Do you think that the impact of the
13 deterioration in the security situation had an impact on
14 delivery of electricity and other services?

15 MR MARTIN DINHAM: Absolutely. I mean, in a whole range of
16 ways. I mean, the security -- a part of the insecurity -
17 was directly causing destruction of the electricity
18 infrastructure because it was targeted. So that was one
19 problem.

20 But it also meant that it took us and others longer
21 to actually do the repair and reconstruction work that
22 we were engaged in. So, for example there was
23 a number of projects that we were operating on,
24 repairing chimneys to power stations, repairing
25 the transmission lines and the rest. And access to

1 those by our international experts were all very
2 difficult, so we had to arrange to work through local
3 contractors doing -- taking videos, taking digital
4 images, contacting us by email, meeting them in safe
5 locations so we could actually supervise at one remove.

6 We actually managed remarkably in those
7 circumstances to achieve a lot in terms of power supply.
8 We actually brought power supply, or improved it, to
9 1 million people in Basra during this period. But
10 inevitably it took rather longer and, indeed, it cost
11 rather more because of what we had to do to avoid the
12 security situation.

13 BARONESS USHA PRASHAR: So you felt you were able to have to
14 adapt your approach because of the security situation?

15 MR MARTIN DINHAM: Yes, we had to take extreme measures in
16 lots of ways because our overall priority was actually
17 to keep staff safe. But we found there were ways we
18 could operate and still carry those projects through.
19 And the same with the other thing that was going on at
20 the time was the water projects in the south, and then
21 again we managed to get an improved water supply during
22 this very difficult period to a million people.

23 THE CHAIRMAN: One thing we heard from a witness earlier was
24 the interconnectedness, which I certainly hadn't
25 appreciated, between the different infrastructure

1 elements: power, water, conservation of the oil fields.
2 They all actually interacted. You had to move on all
3 fronts, not separately.

4 MR MARTIN DINHAM: Absolutely, and I think a major problem
5 that we had in the overall energy sector was that there
6 was not sufficient joining up between the various
7 ministries. So there was a Ministry of Oil, a Ministry
8 of Electricity and all the rest of it, and I remember
9 when Hilary Benn and I visited in March 2006, we were
10 surprised to find it was only roughly at that time that
11 they were starting to talk to each other.

12 THE CHAIRMAN: This was in Baghdad?

13 MR MARTIN DINHAM: This was in Baghdad, but the structure
14 actually affects the whole --

15 THE CHAIRMAN: Then there is a vertical tension politically
16 in Iraqi politics, isn't there, between Baghdad and the
17 province?

18 MR MARTIN DINHAM: Indeed.

19 BARONESS USHA PRASHAR: That brings me to my next question.
20 There was political turmoil, there was sectarian
21 violence and that must have impacted on the
22 Iraqi Government's ability to spend the money, because
23 there was no shortage of money.

24 How did the Iraqi priorities sort of change in terms
25 of their performance?

1 MR MARTIN DINHAM: I mean, you are absolutely right to
2 say -- I think just to get this in perspective, the
3 resources coming into the Iraq government in 2006
4 and 2007 from oil alone was somewhere between
5 \$33 billion and \$38 billion. So there was absolutely no
6 shortage of resources.

7 The issue for them and, indeed, for us was to try
8 and work with them, and particularly with our work in
9 the Ministry of Finance, to release these resources in
10 a helpful way to the reconstruction process, because at
11 that time about two thirds of the income that was coming
12 in was spent on subsidies, on food subsidies, oil. Also fuel
13 was virtually free in 2005. There were food subsidies,
14 there were electricity subsidies and this was -- this
15 huge amount of money was actually going into subsidies
16 which were not economically sensible. And part of our
17 work with the Ministry of Finance and, indeed, as
18 representing the IMF, because the IMF weren't there, was
19 actually to try and bring some sense into the overall
20 economic management and that led to the Stand-by
21 Arrangement which the Fund passed in 2005, which was
22 a beginning of the process of economic reform,
23 really.

24 BARONESS USHA PRASHAR: Did you try to do anything to
25 influence Iraqi Government in the Treasury?

1 MR STEPHEN PICKFORD: Through our people on the ground
2 in the Ministry of Finance, again building on
3 the work of putting in place budgetary systems which
4 were transparent. But obviously the spending decisions
5 were taken by the Iraqi Government themselves.

6 BARONESS USHA PRASHAR: So in other words, you were just
7 trying to influence the Ministry of Finance?

8 MR MARTIN DINHAM: Sorry, can I --

9 THE CHAIRMAN: Yes.

10 MR MARTIN DINHAM: There were a number of steps on this.
11 I remember that when Hilary Benn visited in March 2006,
12 when I went with him, we had a meeting with then
13 Prime Minister Ja'afari and one of the key elements of
14 that discussion was around the economy and the power
15 sector and the need, as we saw it, for there to be
16 a high-level grip taken of the economic situation,
17 because there was no shortage of money but it was just
18 not getting through into productive expenditure and into
19 investment. There was no investment plan to speak of
20 either for the economy as a whole or for the energy
21 sector.

22 So there were messages at that level. The
23 Prime Minister -- our Prime Minister, I know, spoke to
24 the Prime Minister of Iraq on these issues and
25 I remember briefing -- myself briefing the

1 Prime Minister on these issues when we had meetings with
2 him in 2006/2007.

3 BARONESS USHA PRASHAR: When we saw Edward Chaplin, he said
4 that the government of Iraq struggled to absorb all this
5 assistance. Was this the main obstacle to the
6 government using the resources, and what were the
7 politics of sort of spending the money that was around?

8 MR MARTIN DINHAM: I think that there was -- Iraq was a very
9 unusual partner for us, because -- for very many
10 reasons. But it had no experience of dealing with
11 donors at all, and so actually trying to get some kind
12 of process where they would take the lead in determining
13 what their priorities were and what their economic and
14 other priorities were and then taking a lead of donors
15 and co-ordinating them to support that, was really
16 a very fledgling -- in the foothills of a process at the
17 time.

18 BARONESS USHA PRASHAR: They had no experience of working
19 with donors?

20 MR MARTIN DINHAM: They had no experience of working with
21 donors at all.

22 THE CHAIRMAN: Or with each other?

23 MR MARTIN DINHAM: Exactly so. So the idea of having
24 a Cabinet government with different parts
25 working together just didn't really exist. There was

1 quite a lot of sectarian differences between the
2 ministries.

3 THE CHAIRMAN: Sectarian, tribal geography, you name it.

4 MR MARTIN DINHAM: That's right. Jim mentioned that what we
5 were doing at the centre, working with the
6 Prime Minister's office, working with their equivalent
7 of the Cabinet Office, was to try and build up a kind of
8 Cabinet committee system and a private office for the
9 Prime Minister so instructions could go out and normal
10 processes of government could take place.

11 But those really weren't in place, and so having
12 lots of donors -- well, there was a small number of
13 donors, but there was quite a lot of money -- was one of
14 the implications that they had to deal with.

15 BARONESS USHA PRASHAR: But that situation -- you have given
16 a description of what the obstacles were --

17 MR MARTIN DINHAM: Yes.

18 BARONESS USHA PRASHAR: -- what did that mean for you in
19 terms of approaches that you adopted to deal with it?

20 MR MARTIN DINHAM: Right. We worked very hard to try
21 to bring the donors together to be as co-ordinated as
22 possible, and one of the reasons -- Jim mentioned trust
23 funds. There were these two trust funds: one run by the
24 World Bank and one run by the UN. And the purpose of
25 those really was to minimise transaction costs,

1 so a lot of the smaller donors who weren't present could
2 put their money through those two. So there would be
3 a single point for the Government to relate to.
4 So we were keen to ensure that donors kept
5 working very closely together, and I think that one of
6 the problems here -- it has been alluded to -- was that
7 the, US being such a big presence and having such huge
8 sums of money, weren't as enthusiastic sometimes about
9 the -- the idea of cross-donor co-ordination as
10 some other donors. So it was quite difficult to
11 influence or co-ordinate with the US on a number of
12 occasions.

13 BARONESS USHA PRASHAR: What was their approach at this
14 point in time?

15 MR MARTIN DINHAM: Well, they took a very different approach
16 really to us on a number of fronts, but particularly in
17 terms of the capacity building side of things. Their
18 approach was much more capacity supply, rather than
19 capacity building.

20 So at one stage they put in \$400 million for
21 capacity building and flooded ministries with
22 lots and lots of international experts, essentially to
23 do things, and -- or to put so much information in front
24 of a very small number of Iraqis -- so almost they were
25 competing for face time -- that it overwhelmed the

1 system.

2 Our approach -- obviously we are on a very much more
3 modest scale -- was to actually work in three areas --
4 the Prime Minister's office, in the Ministry of Finance
5 and the Ministry of the Interior -- looking at practical
6 problems, working alongside the Iraqis and trying to
7 build up their experience so it would be sustainable, so
8 when we moved away they would have those skills and they
9 would have those systems to move forward. And I think
10 if you read the incredibly interesting report, the 'Hard
11 Lessons' report by the US Inspectorate General for
12 Iraq --

13 THE CHAIRMAN: We have seen it.

14 BARONESS USHA PRASHAR: We have seen it.

15 MR MARTIN DINHAM: -- it is fascinating, because it gives
16 exactly the guidance on how not to do reconstruction.

17 It is the US themselves saying, "This is what we
18 really got wrong" and it mentions how much capacity
19 supply was a problem, how much not listening, how much
20 not getting the buy-in of Iraqis, was an issue.

21 THE CHAIRMAN: There were two elements of this, which is
22 many about human motivation and relationships in what
23 you were trying to do. One is inherited culture,
24 insofar as there was one, within an Iraqi bureaucracy
25 was one of extreme fear, wasn't it?

1 MR MARTIN DINHAM: Yes.

2 THE CHAIRMAN: It was government by diktat and punishment if
3 you failed to respond.

4 I don't know whether you were able in a sense to
5 break the inevitably rather junior Iraqi bureaucrats who
6 hadn't been de-Ba'athified out of that, but the other
7 was they would actually themselves go in considerable
8 fear of being seen to co-operate with yourselves, the
9 coalition.

10 MR MARTIN DINHAM: One of the biggest challenges we faced
11 was there was no culture at all of decision-making, of
12 risk-taking. It was very centrally driven, top down.
13 No creativity, no innovation was either expected
14 or -- it was certainly not recommended for a long
15 career. So that's really what we inherited and,
16 therefore, the capacity building was even more
17 challenging -- with all the other things going on, the
18 security and all the rest of it -- was even more
19 challenging than in most other countries in which we
20 worked.

21 I think we made some important headway. I think the
22 work that was done, for example, as Stephen was
23 referring to, in building up towards the Stand-By
24 Arrangement with the Fund and that being a trigger for
25 the success of, being one of the triggers to

1 deliver the debt deal from the Paris Club, which was
2 huge sums of money, was because we were working very
3 closely with the Ministry of Finance and helping them
4 work their way through all the various steps they
5 needed to take to deliver those kinds of agreements. So
6 there was some success there, but it was quite
7 hard pounding really.

8 BARONESS USHA PRASHAR: But the question is, of course, we
9 gave a great priority to capacity building. That was
10 our main objective. But in the circumstances was it
11 a realistic objective?

12 MR MARTIN DINHAM: I think that that was absolutely --
13 I think it was absolutely realistic. If you look at the
14 two strands of our programme, which were capacity
15 building on one side and the delivering of service and
16 infrastructure, I think it was the infrastructure side
17 which actually proved to be really very
18 difficult because of the security
19 situation. The capacity building was difficult because
20 of security, but if you look back at the achievements
21 that were achieved certainly at the margin, for example,
22 in capacity building that we did in the south, where we
23 were working with provincial authorities --

24 BARONESS USHA PRASHAR: So there was a balance between sort
25 of central --

1 MR MARTIN DINHAM: That's right. What we were trying to do
2 was work at both ends, so we were building up the
3 strategic capacity at the centre and at the south we
4 were building up the ability of the provincial
5 authorities to plan. So we helped them work through
6 four strategic development plans, to build up their
7 budgeting and financial management, to be able to
8 produce project proposals. The biggest
9 success that I think we had during this whole period was
10 joining up the project proposals and the plans from the
11 south to the money at the centre.

12 And by the time the period I was involved in
13 finished, we were getting -- there was -- \$205 million
14 was being released from Baghdad to finance proposals
15 which we had helped the provincial authorities put
16 together in Basra. And then -- the idea was then we
17 could walk away...back, and then the two were joined up and that
18 process would continue.

19 And I think actually that has proved to be what
20 happened, but it was very difficult at the time to do
21 that.

22 BARONESS USHA PRASHAR: Do you have a different perspective
23 of what was happening in Baghdad and Basra in terms of
24 capacity building? Any observations on that?

25 MR MARTIN DINHAM: Both were difficult because of the

1 security, actually accessing. And as I think Jim
2 alluded, to face-to-face time was quite difficult -- so
3 that was the same in both.

4 I think it was a slightly different type of capacity
5 building -- as I said, more strategic at the centre --
6 and we had very good consultants working there on that.
7 And in the south it was slightly more training of large
8 numbers of officials in budget and planning and
9 putting together fairly basic practical
10 propositions.

11 So they were slightly different in type of capacity
12 building, but the two actually did mould
13 together -- well, towards the end -- quite well.

14 BARONESS USHA PRASHAR: The impression I get was that you
15 were clear in terms of what you were trying to do. Was
16 the kind of understanding of that within the UK teams,
17 military and civilian?

18 MR MARTIN DINHAM: I think by and large, yes.

19 I was involved obviously from the point of
20 being in all of Nigel Sheinwald's meetings at the centre
21 on Iraq strategy, at the strategic level, and then
22 obviously in discussions on the ground as well.

23 At the centre, we were part of the process of the UK
24 strategies, so there was a HMG strategy for 2005 and one
25 for 2006. We contributed to those. They were accepted

1 across the board and they included these two elements,
2 the visible kind of infrastructure elements and the less
3 visible but really important capacity elements, and both
4 were seen to be important. So they were rooted in the
5 UK strategy.

6 I think when you got to the field end in Basra,
7 I think that because it was taking time to develop the
8 capacity building, that wasn't so immediately visible,
9 and I think from the military point of view, as Jim has
10 alluded to, they were on a hearts and mind exercise.
11 They had a really difficult security situation. So in
12 some ways they were more interested in what we were
13 doing that was more visible.

14 So for them, I guess the creation of something like
15 100,000 work days of employment through our
16 infrastructure projects, for example, or getting the
17 water flowing in Basra from our water project, I mean,
18 they would attach a lot of importance to that.
19 They could see the merit of what we were doing on the
20 capacity side, but it probably wasn't so visible
21 in terms of their immediate objectives.

22 BARONESS USHA PRASHAR: Mr Pickford, do you have any
23 observations?

24 MR STEPHEN PICKFORD: We were very much concentrated, as
25 I said, on the centre in Baghdad and

1 trying to build the capacity. Our
2 secondees left at the end of 2005 and I think it was
3 inevitable that the handover had to happen. And I think
4 we tried as well as we could to put in place capacity
5 that would allow the budgeting and the financial system
6 to continue to operate. But I think it was a natural
7 part of the handover.

8 THE CHAIRMAN: At the strategic all-Iraq level, was there
9 the same need for capacity building, did you assess, in
10 the Kurdish north, because they had had a fully
11 functioning autonomous government for ten years? Was
12 that not on the agenda so much?

13 MR MARTIN DINHAM: It wasn't really on the agenda when I was
14 dealing with the issue, because it was semi-autonomous
15 and it seemed to be getting on. It was much, much
16 quieter from a security point of view, and there was
17 a normal process of government that seemed to be
18 developing there.

19 THE CHAIRMAN: It is interesting to speculate on the basis
20 for the budget carve-up between the different political
21 interests and ethnic and other interests. I don't know
22 whether you would like to observe anything on that,
23 Mr Pickford?

24 MR STEPHEN PICKFORD: To be honest, I --

25 THE CHAIRMAN: Didn't see it.

1 MR STEPHEN PICKFORD: No.

2 MR JIM DRUMMOND: I think the Kurdish areas went through the
3 process a lot earlier in the 1990s developing their own
4 capacity, and actually the Kurdish economy grew pretty
5 fast during that time. So they were much wealthier than
6 the rest of -- or certainly some of Iraq anyway.

7 BARONESS USHA PRASHAR: I have just one final question.
8 There was a change in political leadership during this
9 period. Did that have any impact on your objectives in
10 the capacity building?

11 MR MARTIN DINHAM: During my period -- sorry, you mean in
12 the UK or in Iraq?

13 BARONESS USHA PRASHAR: No, I'm talking about the Iraqis.
14 Still in Iraq.

15 MR MARTIN DINHAM: Just checking. There were two
16 elections during my period. There was one in 2005 and
17 then of course there was the referendum, and then there
18 was the one at the end of 2005. It meant that
19 we were dealing with a legitimate
20 Iraqi Government that obviously increasingly wanted to
21 have more of its say over events. And I think with
22 Prime Minister Malaki particularly in the -- he took
23 a very close interest in what was going on in the south and
24 -- there were two elements really. One was
25 urging us to do as much as possible that was visible and

1 also the move towards withdrawal. He was
2 keen that, you know, that that should take place at
3 a reasonable pace. And so that affected some of our --
4 the pace of and the intensity of what we were doing.

5 But apart from that, I don't think it affected us
6 enormously. I think it was more the security
7 situation getting much, much worse towards the
8 end of the period that was our biggest dilemma.

9 BARONESS USHA PRASHAR: Thank you.

10 THE CHAIRMAN: Lawrence?

11 SIR LAWRENCE FREEDMAN: Just one question, but possibly
12 quite broad. It is a philosophical one in some respects
13 in terms of the particular approach that DFID had
14 developed to development.

15 It was well-known in the international community for
16 having a distinctive view. We have heard about how Iraq
17 didn't really fit beforehand in that model. I'm just
18 interested in, first, your adjustments in terms of how
19 you saw Iraq fitting and, something to which you have
20 alluded, your debates with the Americans who had their
21 own, as we have heard, development model. This is
22 really going back to the earlier period, but I'm sure it
23 is something that came through. How does Iraq fit into
24 all of this?

25 MR MARTIN DINHAM: As I mentioned, it was a very unusual

1 partner for us because it was, you know, essentially
2 very rich. It had these huge resources. It had high
3 levels of education and literacy. So very much not like
4 the kind of country we normally deal with, and yet had
5 all the other elements of the fragile
6 state in many ways, and lots of things were broken down
7 and, of course, in Basra in particular there were lower
8 health and other social indicators.

9 So I think that in some ways we tried to follow our
10 central principles, which were usually based on country
11 lead, country ownership and listening, and getting
12 buy-in from the country, because in all our experiences,
13 if you go in and do things and you do not have any
14 contact with the country concerned, things are not
15 sustainable. I think we kept with that as far as
16 possible.

17 Working with other donors and co-ordinating with
18 them, that was a principle we continued to follow. What
19 we were not used to, frankly, was doing a lot of
20 infrastructure. We had stopped doing that because that
21 work was much better done by the Japanese, the regional
22 development banks, the World Bank, other much
23 bigger financial players, and so that was
24 something --

25 SIR LAWRENCE FREEDMAN: Was that because in the past we have

1 concentrated on poverty reduction?

2 MR MARTIN DINHAM: Our policy since 1997 was essentially
3 tackling poverty reduction, but looking also where our
4 comparative advantage was. And that has tended
5 to be in the provision of basic services, in building up
6 capacity in governance and other issues like that, which
7 were our strong suits. And some of that applied
8 very actively in Iraq, some of the capacity building
9 stuff.

10 The infrastructure work was skills
11 which we had had which we didn't use very much, and so
12 we brought in consultants, contractors to do that and
13 they did an extremely good job in the circumstances.
14 But that was, you know, not our normal type of activity,
15 as it were.

16 SIR LAWRENCE FREEDMAN: You mentioned the assumption about
17 large infrastructure projects is that these are large
18 commercial contracts and a lot of critiques of
19 development programmes, which the British have by and
20 large avoided, was that these were interesting
21 mechanisms of subsidising companies to do projects
22 overseas. And some of the criticisms with the American
23 programme in Iraq have had that attached to them.

24 MR MARTIN DINHAM: Indeed. As I said, the 'Hard Lessons'
25 report says very much that, and it says if you do

1 infrastructure in very difficult security situations and
2 you do it through foreign contractors and you don't get
3 buy-in they are unlikely to be successful.

4 What we tried to do was, as far as possible -- and
5 we do -- we work through local contractors partly
6 because that was the only way in which we could get
7 these projects done, but also because it produced high
8 levels of local employment and it was possible in those
9 circumstances to make progress.

10 So in fact we built a training centre for water
11 engineers right in the middle of this time and we were
12 putting up three very major water towers right in the
13 middle of a very difficult place, the Shia Flats of
14 Basra, because we were working through local contractors
15 and suppliers.

16 SIR LAWRENCE FREEDMAN: Just to relate this back to other
17 areas, what has become a theme for some of our
18 witnesses, which is the relationship to the
19 United States, in terms of the amounts of money involved
20 and the scale of things and the importance of Baghdad
21 and so on, what they did mattered most, how much did you
22 feel that the Americans -- this is really going back to
23 the CPA period -- really understood, or how quickly they
24 understood, exactly what was going to be needed and how
25 were our concerns, to the extent that we felt that they

1 didn't, communicated?

2 MR JIM DRUMMOND: I think the American approach certainly in
3 the early days was very Pentagon/US military-driven, and
4 I think one of the things that we found difficult
5 actually was to get any real traction on that. They
6 came in with a set of projects, programmes that they
7 thought they would do. They contracted them down to
8 large US contractors, who came in with a great deal of
9 machinery and often actually foreign labour rather than
10 Iraqi labour to deliver them.

11 And we explained to them that this wasn't our
12 approach, but to be perfectly honest this was a great
13 machine with 18 times more money than we had and I don't
14 think we succeeded in deflecting it. And I think the
15 approach did change in 2005/2006 and shifted more money
16 into security, but they also recognised that they needed
17 to work much more through Iraqi systems. And this comes
18 out of the report that Martin mentioned.

19 MR MARTIN DINHAM: I think the other thing to remember is
20 that while we actually had a very -- you know, certainly
21 at the time I was dealing with it, a very joined-up
22 approach across government. We had these regular
23 meetings with all the different parties, the ones that
24 Nigel Sheinwald chaired actually, and both in Baghdad and in
25 Basra. That didn't seem to apply as far as we

1 could see, on the US side.

2 So we would -- I mean, our normal
3 interlocutors would have been USAID, but they were
4 completely out of the loop on any of the decision-making
5 at all and State weren't really in the loop on some
6 of these issues because the instructions were coming
7 down from the Department of Defence and you didn't get
8 a sense -- though a bit more towards the end of my period -- of
9 them all working together behind a single strategy. And
10 I think it was only in the latter part -- I think the
11 end of 2006 and into 2007 where we were having -- which
12 Nigel Sheinwald used to chair, VCs, video
13 conferences with the US structure.

14 So the other end would be all -- different parts of
15 the US administration, and that was the first time that
16 I recall them each listening to each other as
17 well as to -- as well as to us. And they weren't even
18 in the same building, they were in lots of different
19 buildings. We had lots of squares up on the
20 screen. But that was a point where it seemed to come
21 together more, but I don't know whether that happened in
22 your period Jim?

23 MR JIM DRUMMOND: I think there were exceptions to this and
24 the reconstruction effort was largely US
25 military-driven. The economic policy stuff that we

1 talked about before was
2 State Department/US Treasury-led, and the donor
3 co-ordination exercises post-Madrid were US State
4 Department-led, and I thought those functioned pretty
5 well. And we had a monthly phone conversation with all
6 the major donors who had contributed at Madrid.

7 SIR LAWRENCE FREEDMAN: It was significant that they were
8 the two bits that did seem to work better than other
9 bits.

10 MR JIM DRUMMOND: It was certainly the easier bits of the
11 relationship for us.

12 THE CHAIRMAN: I think that's a good moment to break for
13 lunch. Slightly less than an hour, I am afraid. Could
14 we come back at 2 o'clock.

15 MR MARTIN DINHAM: Of course, yes.

16 (1.05 pm)

17 (The short adjournment)

18 (2.00 pm)

19 THE CHAIRMAN: Let's resume, welcome back.

20 Given that this will be our last hearing before the
21 break over Christmas and New Year, I will aim to finish
22 at about 3.20, because I have a statement to make about
23 the generality of the Inquiry just after that.

24 So with that, Baroness Prashar?

25 BARONESS USHA PRASHAR: Thank you. What I want to do is

1 really concentrate on the Basra story, these questions.
2 I mean, the picture we have: that there was kind of a
3 great surge to you for answers, there was heightened
4 activity and you may have seen there has been a lot of
5 criticism of DFID, you know, from a range of witnesses
6 about the role of DFID, and I think this is your
7 opportunity to give us your perspective.

8 So can you just tell me, the Prime Minister visited
9 Basra in June 2006 and he was concerned about the
10 situation in Basra and he wanted to review the UK
11 efforts, and that resulted in a Better Basra plan.

12 Now, why was the Prime Minister so concerned and
13 what did he want to achieve through the Basra plan?

14 MR MARTIN DINHAM: I think that at that time the security
15 situation was -- started to become its worst, I think
16 towards the middle part of 2006, and there was -- in
17 terms of the infrastructure projects and service
18 projects that we were undertaking, their impact was
19 still yet to come through because they had taken
20 some time to get off the ground. And it was actually
21 between the middle of 2006 and the middle of 2007 when
22 the impact of those programmes was starting to become
23 more apparent.

24 So I think when he visited it was at a point when
25 there wasn't an awful lot that was strongly visible from

1 that point of view. And there was a lot going on on the
2 capacity building front, but as we said before, that was
3 a bit below the radar in terms of visibility.

4 So I think what he wanted was -- I think what we all
5 wanted -- was to have some visible effect. Then the
6 point of the Better Basra plan was actually, as
7 I mentioned earlier, to get the various different parts
8 of the UK -- the UK representation there working
9 together, to work around one particular plan.

10 And I think what we were seeking to achieve through
11 that was enhanced governance work, but also to
12 do some quick impact activity, which was mainly being
13 done --

14 BARONESS USHA PRASHAR: When you say "we", that was DFID's
15 input into the Basra plan or was everybody else
16 involved?

17 MR MARTIN DINHAM: The point of the Better Basra plan was
18 that it was involving the Consul General, the Commander
19 of the British forces and DFID together and their
20 respective teams around a common
21 set of endeavours. And the Better Basra plan was being
22 delivered and worked on from the Basra end, and then was
23 sent to the meetings that we were having in London at
24 the time so there could be comment and consultation on
25 both sides.

1 So it was a proper, agreed, bought-into,
2 cross-Whitehall plan, with everybody playing their part
3 in that, and I think -- as I recall, the amount of
4 resources that were put into that were about £24 million
5 into the plan. But that was in addition to a lot of the
6 other activity that was already going on.

7 And the important thing is not to see it as kind of
8 the only answer. It was going on, but there was a lot
9 of other activity which was coming on. The fact that
10 our big projects, the ones that were delivering huge
11 amounts of power and water and all the rest of it, were
12 coming on stream during that period actually enhanced
13 the Better Basra plan as well.

14 BARONESS USHA PRASHAR: But the question is you have this
15 plan, activity at Whitehall, to-ing and fro-ing, you get
16 the plan written, but what difference did it make on the
17 ground and did it actually bring about the unity of
18 purpose which was alleged not to have happened?

19 MR MARTIN DINHAM: I think there was greater unity of
20 purpose as a result of the plan. I think it was an
21 impatience, really, for things to be seen to be
22 happening.

23 BARONESS USHA PRASHAR: Impatience on whose part?

24 MR MARTIN DINHAM: I think all of us really, because, as
25 I recall, its -- because of the security situation, as

1 we discussed before, it was very difficult for people to
2 get around and we were, therefore, looking at different
3 ways in which we could get round those obstacles
4 and actually achieve stuff.

5 So some of the things that we were doing were, for
6 example, on the business side of things, to try and look
7 at ways in which we could work with local enterprise
8 there. For example, I remember there was a project
9 which was to do with tomato processing, which was an
10 area of importance there. We were helping with some
11 training of British business -- Basra business
12 representatives to try and get some quick starts to
13 businesses at the time. But, again, access was quite
14 a problem.

15 BARONESS USHA PRASHAR: My understanding is that during this
16 period it was discussed at a low point, when there was
17 a lot of frustrations across sort of UK working, there
18 was frustrations within the UK operation, in Basra,
19 between Basra and London, and perhaps also in Baghdad.
20 And, of course, the security was also actually
21 deteriorating. What frustrations did you experience in
22 working policy in Iraq and delivering during this
23 particular period? And what were the reasons for that
24 frustration?

25 MR MARTIN DINHAM: Yes. I think one of the problems -- and

1 I think it is one of the lessons, really, that has come
2 out of this process -- was that we were not all located
3 on the same site. So we had DFID and we had the Consul
4 General at Basra Palace, and to start with we had
5 part -- we had the PRT there as well. We had -- the
6 military were based essentially at the Basra Air
7 Station.

8 As the rockets were falling down on Basra in
9 that period, and to set this in context, there were
10 times when they were 15 or so rockets a day arriving in
11 the compound, so it was actually difficult to move
12 around, even in the compound. So it is useful to have
13 that in context. It was actually -- it was difficult to
14 get total understanding on all sides of what was
15 going on, because we were physically in different places
16 and it was actually difficult to get even from the
17 Palace to the Air Station, that took a day to do.

18 BARONESS USHA PRASHAR: So co-location was one factor. What
19 were the other factors?

20 MR MARTIN DINHAM: The other factors were that we didn't --
21 I think it was during that point that we didn't - have
22 a very clear leadership, as it were, across all the
23 different parties. So we had --

24 BARONESS USHA PRASHAR: Who should have provided that
25 leadership?

1 MR MARTIN DINHAM: If I can take you through, what actually
2 happened was that when we had some review of this
3 process, we had people eventually co-located in one
4 place at the Air Station. We re-established a Steering
5 Committee, which then had the Commander of the British
6 forces and the Consul General together responsible for
7 the Steering Committee of the whole --

8 BARONESS USHA PRASHAR: This is the southern Iraq steering
9 committee?

10 MR MARTIN DINHAM: That's right, and I think that had, as
11 I understand it, fallen into -- not disuse, but it
12 wasn't meeting with everybody together in one place
13 under a clear leadership.

14 So what was agreed following the review that took
15 place towards the end of 2006 was (a) we should move to
16 co-location at Basra Air Station, (b) that we should
17 have a clear structure which would involve the Steering
18 Committee chaired by the two key members, the CG and the
19 Commander with DFID being represented on that, and that
20 we would have the Basra plan, which was revised and
21 refreshed -- I think there were three versions of the
22 plan -- which would be a kind of key way of driving
23 things through.

24 And I think when we all got to being at
25 the Air Station together, and then

1 personalities changed as well, which I think was also
2 a factor -- it was pretty clear then that a lot of the
3 misunderstandings which can arise in very tense and
4 difficult situations when people aren't all in the same
5 place fell away.

6 So when people were pursuing a particular plan they
7 could go in next door or down the corridor, explain to
8 the military what we were doing. The same thing happened
9 with them and us and, in fact, all the problems -- and
10 they seemed to be big problems previously -- had kind of
11 fallen away.

12 So it was a combination of security, location,
13 clear leadership, and I think once we had dealt with
14 all those things it got much better.

15 BARONESS USHA PRASHAR: Who should have provided the
16 leadership? In your view, who should have been leading?

17 MR MARTIN DINHAM: There was a view, I remember, from the
18 military at one point that
19 there should be a joint task force led by the military.
20 And I remember at the time that the FCO and ourselves
21 and, indeed, eventually Number 10 and the
22 Cabinet Office, all agreed that was not a good idea,
23 because in a sense that would be going back to what the
24 US had started off doing, which hadn't been a success.

25 And so I think the conclusion that we came to of

1 having, you know, the FCO and the Consul General and the
2 Commander leading together, both being at the same --
3 leading at the same, even both being there, was
4 essentially the answer.

5 There was a separate set of issues about the PRT,
6 the provincial reconstruction team, which was going
7 along in parallel -- in fact, it was one of the key
8 mechanisms for delivering the plan. And I think
9 I mentioned before that when that was set up, there was
10 some anxieties particularly on our side that it would
11 cut across working with the government and it would be
12 too donor-driven a process.

13 So at first we associated our governance
14 activities with it rather than fully integrated into
15 it, and I think subsequently it became -- the provincial
16 reconstruction team became - much closer integrated and
17 eventually the leadership of the provincial
18 reconstruction team was given to the Deputy Consul
19 General at the time. And subsequent to that, past my
20 time, it was taken over by DFID.

21 And I think that there was a period when the
22 leadership and the responsibilities of the PRT weren't
23 sufficiently firmed up, and I think we all recognised
24 that and I think it was partly because it had been
25 brought in without a tremendous amount of enthusiasm on

1 our part, on HMG's part as a whole. But it
2 took a bit of time to firm up the leadership and the
3 role of the PRT --

4 BARONESS USHA PRASHAR: Why was there lack of enthusiasm for
5 the PRT?

6 MR MARTIN DINHAM: It was brought in as kind of an
7 Afghanistan kind of invention, as it were. In
8 Afghanistan, the situation was very, very different than
9 it was in Iraq. There was virtually no working
10 system, no structure, no local authorities. It was
11 needed to actually deliver and almost supplement and
12 supplant the work that was going on in the provinces.

13 In Iraq, you had -- although it was slightly broken
14 down - you had a clear provincial structure. We had been
15 working with it, building it up, providing capacity to
16 it. You bring in the provincial reconstruction team,
17 there is a risk that that's going to cut across it, and
18 it was an American-driven process and I think elsewhere
19 it was very much let's go in and do stuff, rather than
20 let's go in and work with the grain of the local
21 authority, build up.

22 So I think that was why there was some kind of --
23 that not everybody was as keen on this idea as the US
24 had been, but it was obviously there, it was here to
25 stay. So we said, look, this is here, we are going to

1 make it work.

2 BARONESS USHA PRASHAR: Just can we be clear because the
3 United States made a decision to set up the PRT and ours
4 was a response to that?

5 MR MARTIN DINHAM: Yes. I think what it was was that the
6 PRTs were going to be set up in every province and,
7 therefore, there was a proposal -- the proposal was that
8 in Basra and the south generally there should be PRTs.
9 And, you know -- I think that what we were concerned
10 about was if we didn't take ownership of this, we would
11 get a PRT which would really cut right across. So we
12 took ownership.

13 It took a bit of time for us to sort out how it was
14 going to be led, so to start off with the first three
15 leaders of the provincial reconstruction team came from
16 the PCRU, the Post-Conflict Reconstruction Unit, which
17 had been only recently been set up. So we sourced the
18 heads of those teams from the PCRU, but we didn't give
19 it to the PCRU to manage and run, because it was still
20 in its infancy, and there was a sense that perhaps we
21 can retain control of this between the three
22 departments, but we will use the PCRU to provide the
23 heads of it.

24 So I think there was a kind of learning and
25 developing period when we were trying to build up the

1 role of the PRT, and it came into its own after about
2 a few months.

3 BARONESS USHA PRASHAR: Can I come back to your response
4 about the frustrations. You said it was partly due to
5 co-location and leadership, but do you think there were
6 issues to do with different cultures, different
7 objectives, you know, clash of personalities? You have
8 said nothing about different objectives, different
9 cultures.

10 MR MARTIN DINHAM: I think one of the tensions that went
11 right the way through this whole period, and it was more
12 in some times than others, was the tension which we
13 alluded to really, with was the tension between quick
14 impact, visible, let's get on and do it, which was
15 very much a military approach, and, you know,
16 rightly so, they were looking at hearts and
17 minds, consent, force protection, that was very
18 important to them. On the other side, there was an
19 approach which was long-term, longer term, not very
20 long-term, but longer term, sustainable, building up
21 capacity so that they will do it and that's your kind of
22 honourable exit strategy, if you like, and that's what
23 our development is all about really; it is actually
24 helping other people to do that kind of thing.

25 Now, I think there were times at which there seemed

1 to be a bit of competition between the two,
2 whereas in fact the two can co-exist very easily. You
3 just need to be clear about who is doing what, and
4 essentially it was the military really that needed to do
5 the quick impact and that was what mostly happened. And
6 it is us that needed to do the longer term sustainable.

7 But the two could also reinforce each other, so the
8 work that we were doing on the reconstruction projects
9 was actually delivering impact, it was actually
10 delivering jobs, but it was essentially a reconstruction
11 and development project.

12 Similarly, as Jim has said, the quick impact stuff
13 can develop, but there were times when we were being
14 pushed to do the quick impact activities when we were
15 saying, well, actually --

16 BARONESS USHA PRASHAR: Who was doing the pushing? Were you
17 being micromanaged from Whitehall or was the --

18 MR MARTIN DINHAM: No, we weren't being micromanaged from
19 Whitehall.

20 Can I give you one example, because it is quite
21 indicative. And it was a bit earlier on. It was called
22 Operation AMPERE and this was about the provision of
23 generators. And we were involved in our -- in our power
24 programmes and there was pressure from the military on
25 us to produce -- to fund point power generators to

1 provide a quick surge of electricity as we were coming
2 up to the summer period.

3 The pressure went up to ministers and between
4 Secretaries of State, and eventually we said, look, we
5 are not sure this is the right thing to do, have you
6 got Iraqi buy-in to this, is it going to be consistent
7 with the system, can you deliver it in the time
8 available, is it going to be possible to maintain it?
9 We were reassured on those things and the military
10 said to us, yes, please give us the resources and we
11 will do this.

12 So we did. We did. We were convinced that they had
13 gone through their processes. What transpired was that
14 they -- it wasn't -- they -- there was no ownership from
15 the Iraqis, the Iraqis didn't technically want these
16 generators, it wasn't possible to procure them in the
17 time available, the summer season was missed and they
18 weren't compatible with the system.

19 We then had to take back this project when that
20 brigade had gone, and it took us another year of talking
21 with the Iraqis and sorting out the system problems
22 before we could complete that project.

23 And so what had happened was it didn't have a very
24 sensible development output because it wasn't a very
25 sensible thing to do. It didn't help a force protection,

1 consent problem because the Iraqis actually were annoyed
2 because this was something we were putting on them.

3 BARONESS USHA PRASHAR: So it was declining consent and
4 (inaudible), as we were told?

5 MR MARTIN DINHAM: So I wrote to the MoD and I said there
6 are lots of things that we really do well together and
7 we have got basically a very, very close relationship,
8 but let's be clear --

9 BARONESS USHA PRASHAR: When did you write and who did you
10 write to?

11 MR MARTIN DINHAM: I wrote to my opposite number who was
12 Martin Howard at the time, and I enclosed with it what
13 we call the project completion report, which is what we
14 do on each project, which had been quite damning about
15 this project. And what was useful about that was that
16 it taught us very clear lessons about the importance of
17 being clear about what the intention is and how we were
18 going to achieve it.

19 Something that might look quick impact and
20 superficially attractive can actually lead to not the
21 right result and not be terrific value for money. And
22 I think there were very few occasions of this actually,
23 because most of the relationship -- I don't want to give
24 you the wrong impression, most of the relationship was
25 very, very close during my time and we had very good

1 relations with the military. They were fantastic at
2 helping us in the installation of one huge piece of kit
3 which weighed several thousand tonnes for the gas
4 pumping station which we had to take right across
5 southern Iraq. They provided us with force protection,
6 they negotiated with the police, with the Iraqi army and
7 they got this there in one with piece. It was
8 a fantastic piece of collaboration.

9 That was great. That was when we were at our best,
10 but when -- things went wrong when we moved out of what
11 we had our comparative advantage in really.

12 BARONESS USHA PRASHAR: Would you say that what you were all
13 trying to do actually added up to a co-ordinated
14 strategy for Basra at that time.

15 MR MARTIN DINHAM: Yes, I think what was clear was that --
16 we agreed -- there were many, many meetings in London
17 trying to nail this Basra strategy. So everybody bought
18 into it, it was consistent, it was working. And I think
19 there were some -- there were one
20 or two letters backwards and forwards, I remember, from
21 Basra and I mentioned that the military wanted to have
22 this joint task force and all the rest of it.
23 That was resolved and I remember we discussed it
24 personally with the Prime Minister.

25 There was a number of us sat round and he said what

1 more do we need to do in Basra, and Nigel Sheinwald and
2 others there said very clearly we have got a strategy
3 now, there is going to be some different personnel as
4 well and we think we are now on the right track, and
5 there was a general agreement right across the board on
6 that.

7 BARONESS USHA PRASHAR: Do you want to add anything to this
8 period?

9 MR STEPHEN PICKFORD: No, we weren't really involved in the
10 Basra operations.

11 BARONESS USHA PRASHAR: Do you have any observations,
12 Mr Drummond?

13 MR JIM DRUMMOND: On the military relationship?

14 BARONESS USHA PRASHAR: Yes.

15 MR JIM DRUMMOND: I think in my time there was a phase of
16 frustration at the beginning, the first six months, when
17 the military felt things hadn't moved fast enough in
18 terms of delivering civilians. And I think there was
19 then a period during the CPA time where we worked very
20 well together on infrastructure programmes and other
21 things that I described before lunch.

22 I think when we came to the end of the CPA period,
23 which I think was the time that General Rollo was
24 describing to you, where we were having to reshape our
25 programmes in line with things that ministers had agreed

1 we should do, where the military were facing quite a lot
2 of trouble on the streets and were not sure that the
3 flow of resources that had come through the CPA was
4 going to continue, and so there was a degree of
5 frustration as we reshaped our programme to fit the new
6 post-CPA scenario, pretty much as I described to you
7 this morning.

8 THE CHAIRMAN: We have heard quite a lot of testimony from
9 some, indeed, I think all of our military witnesses that
10 they themselves now regard the six-month tour duration
11 as a handicap, and in terms of building networks,
12 relationships, continuity, they acknowledged that it was
13 just too frequent and too short.

14 Does that help, as it were, systemically looking
15 ahead for lessons?

16 MR MARTIN DINHAM: I would certainly agree with that, and it
17 has come out of a number of discussions that we have had
18 with the military ourselves.

19 I think one of the issues that we faced was, because
20 you referred to the slightly different approaches and
21 differences of culture, what used to happen was we would
22 spend the first three months of the six months getting
23 to explain to each other why we couldn't do this and why
24 they couldn't do that. And then, you know, the last
25 three months were always very much more satisfactory,

1 and then you get somebody new in and what you would get
2 were people, they wanted to move ahead and do lots of
3 things. And we would be saying that's fine, we can do
4 this and we can do that really well, but this is what
5 you need to do.

6 And I think if there had been a year --
7 that would be much more sensible. And I think something
8 that is another lesson really is to actually try and
9 harmonise to the extent possible the civilian and the
10 military... because... We had people in Basra and Baghdad -
11 more often than not were on nine months to a year, but
12 there were some six months -- six months was minimum --
13 but if that could have been harmonised more that would
14 have been much more effective, -- along with the
15 co-location which, of everything, was really, really
16 important.

17 BARONESS USHA PRASHAR: But it came too late to some extent?

18 MR MARTIN DINHAM: When I look back, I think that period at
19 the end of 2006 was the most difficult. Our relations
20 right the way through, the other two and a half years,
21 were actually very good. So -- I mean, some of that is
22 probably a bit down to people as well as
23 co-location, but if you get other things not going quite
24 right, co-location can become much more serious.

25 BARONESS USHA PRASHAR: Can I move to another area? During

1 this period in 2006 there was discussions about handing
2 over security to the Iraqis, which was the Provincial
3 Iraq Control plan. Were you consulted about this, the
4 implications of that?

5 MR MARTIN DINHAM: It was part of the regular discussions
6 that we took part in every week with Nigel Sheinwald of
7 the Iraq Strategy Group and the Senior Officials group,
8 and there were many papers on the timing of it and it
9 was obviously a different timing for the different
10 provinces, with Basra being the one that was the most
11 difficult towards the end. And we were -- it was
12 important for us because obviously it affected the
13 security situation and that affected what we could do.
14 And we were also looking forward beyond with kind of
15 provincial --

16 BARONESS USHA PRASHAR: So you had certain concerns?

17 MR MARTIN DINHAM: We had the same concerns in regards - as did the
18 Foreign Office and others there, - to the timing
19 of that, but I wouldn't say that it was a worry for us.
20 We were interested and involved because our people were
21 there, but I don't remember that being
22 a difficult conversation at all and we contributed to
23 the dialogue on that, which was involving all the
24 departments concerned.

25 BARONESS USHA PRASHAR: So you were involved in those

1 decisions and you expressed your concerns and --

2 MR MARTIN DINHAM: That went smoothly, yes.

3 BARONESS USHA PRASHAR: Can I just begin to look at some of

4 the broader issues coming out of the Basra story?

5 I mean, how was the UK policy directions for the

6 objectives for Iraq set after this CPA period? How did

7 that process evolve?

8 MR MARTIN DINHAM: The setting of the UK strategy?

9 BARONESS USHA PRASHAR: Yes.

10 MR MARTIN DINHAM: Okay. In my period at the beginning

11 of 2005 there was a cross-government strategy for the

12 whole of 2005, which included the various strands, which

13 were strengthening the Iraqi army, looking at the whole

14 issue of the politics and the constitution, looking at

15 reconstruction and development and increasing the

16 involvement of the international community. And we were

17 closely involved in the last two of those, but

18 contributed to the first two.

19 Then that strategy, which we discussed and adapted

20 as it went along, was refreshed and renewed by

21 a strategy at the beginning of the next year, 2006, which

22 had more of a -- had similar parts to it but had more of

23 a concentration, as I recall, on the whole

24 counter-insurgency issue and cementing representative

25 government post the constitution and making sure that

1 was a success, as a kind of large political element to
2 that.

3 And, again, we had our contributions in that through
4 the reconstruction, capacity building and then ultimately
5 a reconciliation process as well, which we had a role in
6 with the Foreign Office and the MoD. So these were
7 worked on in London, but with strong inputs from all
8 parties involved in Baghdad and Basra. And that
9 provided the chapeau, the umbrella for the
10 work which each department took forward.

11 BARONESS USHA PRASHAR: We heard earlier that there was
12 a lot of money. Why did the UK decide to put so much
13 money, given that there was Iraqi money --

14 MR MARTIN DINHAM: Okay. I think that there was a real need
15 for money at the beginning particularly, and I think
16 when the Madrid conference set things out, we put in
17 about -- I think our total UK contribution was about
18 £544 million. A lot of that was spent in the first
19 two years or so. By the time that I was dealing with
20 it our spending was something like between £70 million
21 a year and then, I think, the next two years were about
22 50 and 35 or something of that order.

23 I think as time moved on, it became much clearer,
24 and mostly during my period, that the answer to this was
25 not simply putting more money and doing large

1 projects, it was continuing with the capacity building
2 but unlocking this huge amount of Iraqi money that was
3 there. And the key to that really was this question of
4 the subsidies that were being spent and much of our work
5 was spent unlocking the subsidies, which amounted to
6 some \$18 billion a year, to use that for investment.
7 And we were -- we started to become more successful at
8 that, but it was very hard work, very hard work.

9 BARONESS USHA PRASHAR: And you said that you engaged a lot
10 with other donors unlocking money from others. How did
11 you ensure that that did not lead to any regional
12 imbalance?

13 MR MARTIN DINHAM: Well, what we
14 were trying to do in our work with the budget was to try
15 and ensure a reasonable allocation of the budget
16 to different regions, so that there was a proper process
17 for allocating resources to the region. And I think
18 I mentioned that one of our successes was in unlocking
19 the resources that went to Basra, and I think that was
20 what we were trying to do at the centre.

21 As far as the international money was concerned, the
22 bulk of it was going through these trust funds. So the
23 total in the trust funds was about \$1 billion split more
24 or less 50/50 between the bank and the UN, and we
25 participated in regular steering committees with all the

1 other donors which looked at how that money was being
2 spent, both geographically but also thematically. So
3 what was going on health, what was going on education,
4 what was going to the elections and all the rest.

5 Our concern about this was the speed at which it was
6 happening, and I remember visiting Washington and
7 New York to put pressure on both the UN and the
8 World Bank to speed up the disbursement and the
9 processes and the procedures for getting this money out
10 of the door into constructive activity.

11 The UN responded really well to that. The Bank was
12 actually quite disappointing. The World Bank was quite
13 disappointing on this, and it had a budget in the trust
14 fund of nearly half a billion dollars. By -- as
15 I recall, by the end of 2005 it only disbursed about
16 \$47 million of that and the problem essentially was the
17 Bank didn't have any presence in Baghdad at all, right
18 the way through my period. And there was a huge amount
19 of effort on our part to get them to be present and they
20 weren't, and that actually did hold up things quite
21 a lot.

22 BARONESS USHA PRASHAR: Mr Pickford, do you want to respond?

23 MR STEPHEN PICKFORD: Just a general point, which is the
24 last point that Martin made. Having presence on the
25 ground is really, really important. I mean, we had the

1 same issue with the IMF to the same -- to a lesser
2 degree, but the same issue, which is if they are sitting
3 in Washington or, indeed, at one point they had an
4 office in Jordan, but nevertheless that geographical
5 distance is a real impediment to getting effective
6 working together.

7 BARONESS USHA PRASHAR: Can I ask a question? If the
8 military hadn't really assumed responsibility for the
9 south-east, do you think the Treasury and DFID would
10 have focused so much effort on Basra and the south?

11 MR MARTIN DINHAM: A tricky question. I think that there
12 was a rationale for us being -- working in the south
13 because it was one of the least well-off parts of Iraq.
14 I mean, in terms of income, in terms of child
15 mortality, education, literacy and all the rest of it.
16 So it was -- in that sense it was amongst one of the
17 poorer areas, but I think it would have been impossible
18 for us to have been there without military support,
19 given -- and if you are assuming the situation as it
20 was, we couldn't have survived there without
21 the military presence to start off with, so I think that
22 wouldn't have been possible.

23 BARONESS USHA PRASHAR: Do you have any long-term
24 observations of what the impact will be in terms of the
25 political economic development, the fact that so much

1 effort was put into the south-east?

2 MR MARTIN DINHAM: You mean of the impact on the country as
3 a whole?

4 BARONESS USHA PRASHAR: Yes.

5 MR MARTIN DINHAM: Well, obviously, you know, Basra was --
6 the Basra province was -- has huge resources, but was
7 for a long time extremely kind of cut off and deprived
8 and not supported.

9 So I think that helping to develop that is actually
10 providing what was a much fairer share of, as it
11 were, the national cake to that part of the country.
12 I think it is quite difficult to say what the longer
13 term impacts are going to be, but I think that what we
14 did achieve, if this is part of your point in
15 a way, is over a long-ish period of time, if you look at
16 the situation there now compared to what it was like,
17 the most important development it seems to me is on the
18 business and enterprise side where we were putting
19 a lot of effort in a small way during my period, for
20 example, in setting up -- helping to set up businesses,
21 helping to set up a business information centre, a Basra
22 business journal. And that all fed through to the
23 activities that happened later. And now you have got
24 quite a lot of interest from external investors there,
25 and I think that is going to make a huge difference to

1 the south-east over time.

2 THE CHAIRMAN: In terms of the economic development of Iraq
3 as a whole, and I'm not learned in this, but the
4 combination of, let's say, half the oil resources in the
5 southern oil field and the port of Umm Qasr, which is
6 the only sea port, that's of huge significance for the
7 whole of the country.

8 MR MARTIN DINHAM: Absolutely.

9 MR JIM DRUMMOND: I think that depends on the political
10 settlement in Iraq really, and the extent to which the
11 south is allowed to keep the resources that it sits
12 upon, because in Saddam's time clearly it didn't
13 keep any.

14 THE CHAIRMAN: And getting into finder detail than perhaps
15 we should, the Shia majority interest in Baghdad is by
16 no means the same as the Shia majority interest in the
17 province.

18 MR MARTIN DINHAM: That's absolutely right, and one of the
19 things that we were trying to do over the reconciliation
20 issue was both trying to help the Prime Minister there
21 to bring together the different sectarian leaders, but
22 also help with some practical things about provincial
23 elections, about hydrocarbon law and all the rest of it,
24 to ensure that there was an equitable solution to
25 a number of these issues to avoid the pitching

1 one province against another.

2 THE CHAIRMAN: It is how the different provinces across the
3 whole of the south net in together, if at all. You have
4 got Japanese interests, the Poles, I think, and the
5 Danes. I don't know how much cross-selection there was
6 with the south-east and the four province, for which we
7 had --

8 MR MARTIN DINHAM: There was obviously a lot of
9 interconnection between the four provinces in which we
10 were involved. In my time I have to say there was --
11 I don't recollect there being a strong involvement by us
12 in connection with other provinces outside those four.

13 MR JIM DRUMMOND: I think it is also the case that the Iraqi
14 system tended to manage province by province and that we
15 created a military-led structure which didn't really map
16 on to some historical Iraqi structure.

17 BARONESS USHA PRASHAR: You have alluded already to some of
18 the lessons learned, but from your time in that role,
19 are there things that you want to draw to attention and
20 the lessons learned and has that had any impact on DFID
21 itself in the way you are beginning to look at how you
22 would manage similar situations in the future?

23 MR MARTIN DINHAM: I think we have learned a number of
24 things and some of them come out in the Hard Lessons
25 document as well. One is to try and attempt large and

1 very visible projects in a high security situation is
2 very difficult and very expensive and you should do it
3 with care, really.

4 The other is the importance of the lesson
5 that you build slowly; and using the, as far as possible,
6 the wishes and the current systems applying in the
7 country concerned, has proved to be -- although it took
8 time to deliver -- has actually proved to be the right
9 approach. I think we are comfortable with that
10 and I think the impact that we had on the finance
11 situation with the IMF and all the rest of it was an
12 important win.

13 I think in terms of the staffing question, one of
14 the lessons -- I think this has been referred to before.
15 One of the lessons was that setting up the Post-Conflict
16 Reconstruction Unit, which became the Stabilisation Unit
17 which has now just delivered -- has now got on
18 its books 1,000 people who are trained to operate in
19 their various different disciplines in conflict
20 environments. And we didn't have that at the time of
21 the Iraq conflict. We had people who were prepared to
22 volunteer to work in difficult circumstances and did
23 a fantastic job, I have to say, in very, very adverse
24 circumstances. But we now have available, as it
25 were, to pull down the people who are particularly

1 trained to operate in those kind of conflict
2 environments. And I think that was
3 important -- and now, as DFID itself is now, as part of
4 its overall strategy, going to put 50 per cent of all our
5 bilateral funding through fragile states.

6 BARONESS USHA PRASHAR: That's the shift in your role --

7 MR MARTIN DINHAM: That's not as a kind of a direct result
8 of what we have been doing in Iraq, but the fact is that
9 the worst and the most difficult poverty is usually
10 found in difficult fragile states, and that is often to
11 do with conflict of some description, DRC, Yemen and
12 Somalia and places like that. And how we can operate in
13 very difficult environments building up local capacity
14 is a very important part now of our work.

15 So although Iraq is unusual because it is
16 essentially quite a rich country, the principles of how
17 we operate we have developed quite a lot since we
18 started off in Iraq. And Jim knows in Afghanistan we
19 have applied some of the lessons through the use
20 of the Stabilisation Unit in Afghanistan that have been
21 drawn from lessons that we have had from Iraq.

22 BARONESS USHA PRASHAR: Do you want to say something?

23 MR JIM DRUMMOND: I was just going to say that was I was in
24 the PRT in Lashkar Gah and it is headed by a DFID member
25 of staff who worked for me in Baghdad a few years ago.

1 It is staffed by 80 civilians, 7 of them supplied by the
2 Stabilisation Unit¹, trained now partly because of Iraq,
3 relatively more experienced than they were in dealing
4 with these difficult circumstances, and I think a much
5 better joined-up effort than we achieved consistently
6 through Iraq, although there were times in Iraq when the
7 joined-up effort was really very good.

8 BARONESS USHA PRASHAR: Have there been initiatives in
9 relation to the military and the exchange interface
10 between DFID and the military?

11 MR MARTIN DINHAM: I think what we experienced even while
12 this was going on was the importance of briefings,
13 familiarisation, access to the military who were going
14 out to Iraq before they went. So they had briefings in
15 DFID and ditto the other way round, and I think that is
16 much more the case. And now we speak at their defence
17 college courses, and our ministers do. We have got somebody
18 seconded on to one of their training courses for bright
19 young military staff coming through the system.

20 There is an infinite number now of connections that
21 we have. We were involved in their -- one of
22 their exercises in Europe. We had five or six people
23 working on that. So we can actually understand much
24 better on both sides what our priorities were, our
25 objectives and our comparative advantages. So I think

¹ Following the hearing, Jim Drummond has checked the data and provided a correction: there are 70 UK staff in the PRT, 35 of them provided by the Stabilisation Unit.

1 that has built up hugely actually in the last five or six
2 years, in my experience.

3 BARONESS USHA PRASHAR: We have heard a great deal during
4 the course of these hearings about comprehensive
5 approach. Do you think it is beginning to happen or are
6 you putting down the foundations?

7 MR MARTIN DINHAM: I think it is. I think that -- actually
8 the challenge for us in the comprehensive approach is
9 that they are really, really, very, very big. There is
10 a lot of people in the military. Is it 200,000?
11 300,000. And we have got 2,000.

12 BARONESS USHA PRASHAR: It is like the United States and
13 the UK.

14 MR MARTIN DINHAM: So there is always a demand which we
15 can't possibly meet to be part of all their processes,
16 and so we have got to be quite focused and support where
17 we can. But I think we try and do that and I think that
18 relationships on a personal level as well as on an
19 institutional level are really very strong.

20 The three Permanent Secretaries are meeting,
21 Foreign Office, MoD and the DFID, they meet every month,
22 if not more frequently, to discuss common strategies,
23 common approaches. We have got the Conflict Pool, which
24 joins the three departments as well. So there are lots
25 of mechanisms now which help to cement those --

1 BARONESS USHA PRASHAR: Do you have any reflections,
2 Mr Pickford, on this?

3 MR STEPHEN PICKFORD: Only that the Conflict Pools which
4 Martin mentioned were deliberately designed to require
5 co-ordination across the three departments, because you
6 have basically a common lock on the money. And
7 I think that structures that encourage
8 co-ordination and cooperation must be a good thing.

9 MR MARTIN DINHAM: I think it's a vote of confidence in DFID
10 by the other two departments that we were asked by the
11 other two to manage the Conflict Pool, both the
12 funding and we co-ordinate the process between the
13 three; and that's -- we didn't start off that way, but
14 then we were asked to take that over. I think that's an
15 indication actually that the relationship is
16 pretty strong.

17 BARONESS USHA PRASHAR: Thank you.

18 THE CHAIRMAN: Thank you. One thing before Sir Martin comes
19 in, looking at the experience of Iraq and how it might
20 be, or is being deployed elsewhere, one thing which we
21 found military witnesses ready to acknowledge is that we
22 have a very considerable pool of civilian expertise
23 bound up in the reserves, but they weren't able in the
24 early days to direct individuals or groups to where they
25 were needed other than for a purely military purpose.

1 I just wonder whether there is anything general to
2 be observed about that general pool of expertise and how
3 it can best be directed to where it is best used.

4 MR JIM DRUMMOND: I think there is a considerable pool of
5 expertise in the -- you are referring to the Territorial
6 Army?

7 THE CHAIRMAN: Mainly, yes.

8 MR JIM DRUMMOND: I think there are quite a lot of jobs
9 where it is good not to wear a uniform, and that is a bit
10 of a constraint because if you are trying to get
11 alongside civilian leaders or NGOs, it is best to be
12 outside of uniform. So the Stabilisation Unit cadre
13 of 1,000 people will draw in civilians with that kind of
14 expertise.

15 THE CHAIRMAN: Thank you. There is a whole line of interest
16 in duty of care responsibilities and all of that, but
17 I don't want to raise it now.

18 Martin?

19 SIR MARTIN GILBERT: I wonder if you could comment in the
20 lessons learned area what lessons you learned in working
21 with a country which so dwarfed the United Kingdom in
22 its financial and human resource terms?

23 MR MARTIN DINHAM: I think one of the lessons for us was the
24 need to be very focused. I mean, there were a number of
25 reasons for that: one, the needs were huge; the other

1 was that the cost of every individual we had in Iraq was
2 very, very high. I mean, the total amount that we have
3 expended over this period on what we called life
4 support, kind of protection, was £62 million. So there
5 was a lot of money put into that.

6 So we had to be very focused and make sure that the
7 people that we had were exactly the right people, and if
8 they weren't, that we find out people that were better.

9 We focused on key areas, particularly at the centre,
10 which would have a multiplier effect. So working in the
11 Prime Minister's office, in the Cabinet Office, in the
12 Ministry of Finance and also in the Ministry of
13 Interior, which was responsible for the police, for the
14 border force and for the facilities protection force, so
15 the force that protected the kind of oil fields and all
16 the rest of it -- had, you know, wide-ranging
17 effects, if we could actually make some difference
18 there.

19 SIR MARTIN GILBERT: So we were driven in a sense to
20 a sharper focus than perhaps the Americans needed to
21 have?

22 MR MARTIN DINHAM: That's right. As you pointed out, the
23 sheer difference in the scale of the resources, we were
24 never going to, and didn't want to, compete with them on
25 that scale. But we did see that there was a particular

1 angle for us in making sure that we strengthened the
2 Iraqi system, which didn't seem to be a priority for
3 them in the early stages, and that we really tried to
4 unlock the huge amount of resources that were available
5 in that system and to move them from centre to province
6 and also to release them from subsidies into productive
7 investment.

8 SIR MARTIN GILBERT: My last question really is also on
9 lessons learned, and perhaps it is a difficult one but
10 what lessons were learned working with Iraqis in the
11 complex and difficult situation that the Iraqis were in?

12 MR MARTIN DINHAM: I think that for us the biggest challenge
13 was the one that was alluded to by Sir John earlier,
14 which was that this was a public service particularly,
15 which had so many weaknesses in it from the decades of
16 neglect and diktat, was trying to build up some
17 principles of government within a democratic
18 system which is common nature to us, but for
19 them was really dangerous and difficult. And trying to
20 build that into a -- into a sensible and effective
21 administration in -- for us in a short period was the
22 big challenge.

23 SIR MARTIN GILBERT: Did our visible presence create
24 unrealistic expectations in Iraqi minds?

25 MR MARTIN DINHAM: I think there was a -- the capacity

1 building thing was a problem because there was a sense
2 sometimes that if there were international
3 experts there, that the Iraqis would stand back and that
4 we would take over. And I think that said, that
5 had been instilled by the way the American approach had
6 been, and ours was actually, 'no, this is you doing this
7 and there are some difficult decisions to be taken here
8 and you need to take a grip on those difficult
9 decisions, and Ministers do, and this is how you
10 communicate difficult decisions'. And it is a very
11 difficult thing, you know, a civil service and
12 politicians moving together. The way of government is
13 full of tough choices, and I think that was something
14 which people were -- took some time to embrace
15 really.

16 THE CHAIRMAN: I have got a few questions I would like to
17 raise, but Lawrence, do you want to come in?

18 SIR LAWRENCE FREEDMAN: Just one following on from the
19 question Sir Martin asked you.

20 Expectations. You have talked at rather a tactical
21 level, but we have heard a lot from the military
22 witnesses about the general expectations of the Iraqi
23 people about the speed with which public services could
24 be restored and about how things were going to get much
25 better in the future, put a man on the moon, et cetera,

1 et cetera. How do you manage those sort of
2 expectations? Is this something that has to be
3 addressed much more clearly in the future? Presumably
4 in a lot of the countries you've worked with in the
5 past, expectations sadly were always rather low?

6 MR MARTIN DINHAM: Actually the expectations on the part of
7 the UK Government: if you look back at the
8 September 2003 strategy, it had us home and dry, out of
9 Iraq, by 2005, with, you know, the administration set up,
10 the forces trained and democracy flourishing. And we
11 were going into our most difficult period.

12 So expectations on all sides, I think, had to be
13 put down. I have seen some of the previous
14 transcripts where we talked about 'exemplary'. I think we
15 moved from 'exemplary' to 'sufficient', was kind of where
16 we were. I think in Iraq -- and this goes back
17 to the answer a bit earlier -- there wasn't a natural
18 culture of explaining expectations, explaining that
19 there are some difficult things, reform is going to be
20 necessary, we are going to have to put up the price of
21 fuel, which was from virtually nothing to more commercial
22 prices. And there was a fear on the part of Ministers
23 and leaders of doing that, and one of the things that we
24 were trying to do was to actually build up an
25 understanding of public communication, which is, you

1 know, saying what the problem is, how it is going to be
2 dealt with and how long it is going to take.

3 Politically that is always difficult but in the
4 context of Iraq, which had so many expectations after
5 Saddam left, I think it was a particular challenge.

6 SIR LAWRENCE FREEDMAN: Again, when the military talk they
7 talk about having information, operations and so on. Is
8 that something you have to build into your doctrine as
9 well?

10 MR MARTIN DINHAM: Yes. I think it is fair to say that in
11 the early stages we didn't probably put enough attention
12 into explaining publicly what we were -- what we were
13 doing, what we were trying to achieve and how that would
14 be manifested. And part of that, you have to
15 understand, was to do with the security situation.
16 I mean, for example, in the south, to set it in the
17 context there, we had a lot of activities which were
18 going on which we couldn't -- it wasn't sensible for us
19 to advertise too much because then they would become
20 themselves targets of interest.

21 So we found a way towards the end of explaining in
22 slightly more general terms what we were doing, what the
23 impact was going to be, but there were going to be
24 delays. We got those communications out. We used the
25 press.

1 One of the things we tried to do, we trained
2 journalists in explaining about journalistic processes
3 and the free press and that kind of thing as part of an
4 effort to build -- and also to build up civil society in
5 a way so that there was an acceptance of the role of
6 civil society which hadn't really existed in Iraq
7 before.

8 SIR LAWRENCE FREEDMAN: Going back to your earlier point,
9 you also need to manage expectations in our own
10 government as to what can be done and how long these
11 things take. Do you think there is a better
12 understanding of this?

13 MR MARTIN DINHAM: I think it was always -- to be honest, it
14 was sometimes a challenge to explain at the centre of
15 government the -- the difficulty of what we were facing
16 without appearing to lack team spirit, as it were. So
17 we had to -- had to go through and say 'this is very
18 difficult, we are working as hard as we can on it',
19 rather than 'this is very difficult, we are putting our
20 hands up...' Sometimes those kind of responses were
21 not as welcomed as they might have been.

22 SIR LAWRENCE FREEDMAN: Can you give us some examples?

23 MR MARTIN DINHAM: We were being -- we were all being -- at
24 Number 10 we were all being pressed to deliver on our
25 objectives on a weekly basis, and there was a lot of

1 pressure on us to do that and our people were out in
2 the -- in very difficult circumstances with rockets
3 raining around them and doing absolutely the best
4 they can in those circumstances. And, you know,
5 sometimes -- you know, we would have liked to have shown
6 more, but it simply wasn't possible to do that and
7 I think, you know, understandably the pressure was still
8 you need to do better and to do more.

9 SIR LAWRENCE FREEDMAN: Did you find ministerial visits
10 helpful?

11 MR MARTIN DINHAM: Yes, they were. They were very helpful.
12 And when I went -- I visited with Hilary Benn. He saw
13 at first hand exactly how difficult it was to move
14 around in Basra and, indeed, in Baghdad and could see
15 the constraints. And he was always hugely supportive of
16 our team and there was times when rockets were raining
17 down or there had been a particular incident where he
18 would get on the phone and talk to the head of office
19 himself, whether he was at home or wherever, and say how
20 are you doing. He would be hugely supportive of our
21 teams there.

22 THE CHAIRMAN: I have got a couple of themes I would like to
23 take up, briefly anyway. One is that I think what has
24 come through in quite a lot of evidence from all sources
25 really, yourselves, military, diplomatic and other

1 witnesses, is there were two big surprises when we
2 invaded Iraq. One was the extraordinary degree of
3 violence which erupted in the country, and
4 Sir John Sawers told us the President of Egypt told us
5 that was what it was going to be like, and then
6 interacting with that -- and this came from people like
7 General Tim Cross and John Kiszely, the degree of
8 breakdown, infrastructural and social, was far greater
9 than had been appreciated in advance.

10 Now, I think the three of you said there really was
11 little awareness in DFID before the invasion of what
12 might be in prospect and there wasn't much anywhere, and
13 is there a lesson to be learned there from your own
14 experience during and since, or sometimes are there
15 unknown unknowns, to borrow a phrase?

16 MR MARTIN DINHAM: Well, I mean, this was before my
17 time, but I think that what has come out from a lot of
18 the evidence is comparatively how little planning for
19 the aftermath had actually taken place, and I suspect
20 that with greater time and thinking through and
21 understanding about what the implications and what the
22 actions could be, then that could have been dealt
23 with -- one of the implications also, which
24 I don't think we had anticipated at all, was the extent
25 of the humanitarian problem within and outside the

1 country post-conflict. I think we had anticipated --
2 what we anticipated was that there was going to be a lot
3 more humanitarian issues immediately post-conflict. And
4 subject to what Jim has to say, that wasn't quite so
5 great. But during the period I was dealing with it,
6 from 2005 to 2007, we had nearly 4.5 million people
7 displaced. It was the largest number of displaced
8 people anywhere in the world. 2.5 million nearly were
9 outside the country in surrounding countries and
10 2 million within Iraq moving to -- on
11 a sectarian basis, to where they felt safer. And the
12 implications of that were enormous in terms of education
13 and health and the whole wellbeing of huge numbers of
14 population.

15 THE CHAIRMAN: Do you want to comment, Mr Drummond?

16 MR JIM DRUMMOND: I think one of the ironies of this is that
17 the US/UK forces when they went in destroyed very, very
18 little Iraqi infrastructure compared to some previous
19 invasions. But you are quite right that we had failed
20 to stop that the Iraqis themselves would do quite the
21 extent of damage that they did to their own
22 infrastructure.

23 As to whether there could have been a plan dreamt up
24 in London for our share of this that would have stood
25 the test of very much time, I'm not sure. I think that

1 preparation in terms of having the resources available,
2 in terms of civilians to deploy and to deploy quickly so
3 that you could have adjusted faster and got moving
4 faster to the situation that we found on the ground,
5 that's more likely where we should have been.

6 THE CHAIRMAN: Okay. The last thing from me. Two facets of
7 the same thing, I suppose. One is that DFID on the
8 ground over these years managed to recruit and use
9 productively a considerable number of local staff. Was
10 that useful for capacity building in its own right as
11 well as for whatever they could do to help meet your
12 programmes?

13 MR MARTIN DINHAM: During my period, we had -- in terms of
14 the staff we directly employed, we had a comparatively
15 small number of staff in Baghdad and in Basra. And
16 eventually we went down to having no directly
17 employed --

18 THE CHAIRMAN: Because it was too dangerous for them?

19 MR MARTIN DINHAM: It was simply too dangerous. Even though
20 one or two of them wanted to stay on, it was just too
21 dangerous for us to be able to give them the kind of
22 support that they could possibly need, and the
23 association with us was too difficult.

24 But, of course, there were local -- we did employ,
25 you know, indirectly, huge numbers of local people on our

1 programmes.

2 THE CHAIRMAN: But in essence, tempted to provide cut-outs
3 so they weren't seen by the local population --

4 MR MARTIN DINHAM: That's right.

5 THE CHAIRMAN: The other is I'm thinking about what all
6 three of you were saying about building administrative
7 governmental capacity, both in Baghdad but also at
8 provincial level, the issue not only of government in
9 a culture of fear and diktat before the invasion, but
10 corruption. You haven't uttered that word or drawn
11 attention to it, but what about it as a problem through
12 the six years and again now?

13 MR MARTIN DINHAM: Well, I think it was a very serious --
14 a very serious issue. I was interested in looking at
15 the -- again, at the 'Hard Lessons' document where there
16 was a reference to being a lot of waste, but actually
17 not a very large amount of fraud. In our own
18 programme, there was one -- there was only one
19 project -- one part of one project, where we had
20 a particular problem, which was to do with the
21 employment generation activities in the south where we
22 couldn't monitor, because of the security, that work
23 that should have been carried out by labourers was being
24 carried out, and we had evidence of claims
25 being put in of work that hadn't been done. So we

1 stopped that project straight away.

2 But I think that was a very small amount in terms of
3 our overall allocation. But I think within the system
4 as a whole -- I mean, we didn't come across any specific
5 evidence of it directly ourselves, but certainly the
6 talk was that large sums of resources were going astray
7 the whole time.

8 THE CHAIRMAN: Yes. Thank you.

9 SIR RODERIC LYNE: Just following on from that, overall, as
10 you look back on the £700 million or so that you spent
11 in Iraq, how much of that do you actually assess you
12 were able to spend effectively, despite the very
13 difficult environment, not only security but very weak
14 governance? And how much of it was in the end wasted or
15 lost because projects couldn't be completed in which
16 money had been sunk and so on?

17 MR MARTIN DINHAM: Well, it is interesting we have
18 a National Audit Office investigation of our -- that
19 programme, which gave us -- it was done in April 2007
20 and said that the systems that we had in place were
21 sensible, suitable, that all the various safeguards that
22 they would have liked to have seen were there. So we
23 got -- remarkable in the circumstances, we got a very
24 clean bill of health from the NAO, which, as you know,
25 is completely independent of the system.

1 In terms of cost-to-outcome, as it were, it
2 was a very expensive programme because you needed, for
3 every person you had there, to have a number of
4 protection people to look after those people, keep them
5 safe. But there was -- the only project that -- that we
6 uncovered where we had -- we couldn't account for
7 resources we had spent in an effective way -- was part of
8 this employment generation project.

9 The other projects which were done, the
10 infrastructure projects, have all been completed and
11 they took in most cases slightly longer than we had
12 anticipated and were certainly more difficult than we
13 had anticipated, but they delivered, as I mentioned,
14 a million people with better power, a million people
15 with better water supply. We trained 216 judges, we
16 built a water training centre, we cleared
17 7,000 kilometres of drains², we got --
18 we helped the government get - signed a Stand-by
19 agreement with the IMF which was worth \$680 million,
20 which then triggered \$96 billion, potentially, of Paris Club
21 debt.

22 If you add all those things up, that was a very
23 considerable programme of achievement, but it took
24 longer, it was very much more difficult and it was -- it
25 took us quite a way out of our comfort zone.

² Following the hearing, Martin Dinham checked the data and informed the Inquiry that in fact 7000 septic tanks and 40 kilometers of drains were cleared, not 7000 km of drains.

1 I think that we didn't do as well as we should have
2 done in -- and I'm not sure what we could have done
3 better on this, but we didn't do as well as we should in
4 getting more involvement from the international
5 community. And I think particularly I regard as
6 a failing that we didn't get the World Bank more
7 involved early on, because I think they could have made
8 a huge difference in terms of, as Stephen was saying, in
9 terms of their expertise and their support to the
10 government on power and on the economy.

11 So I think that was -- and I think some of the areas
12 in the south, I think we could have been quicker,
13 collectively, with the rest of Whitehall, in getting the
14 PRT working as quickly as we could, and I think we
15 learned lessons from that.

16 But overall, when I look back, I think the
17 remarkable thing in a sense is, given the rockets raining
18 down, the IEDs and all the rest of it, that we delivered
19 what we did deliver with remarkable people.

20 SIR RODERIC LYNE: We heard a lot about infrastructure being
21 built and then destroyed, power cables being put up and
22 then stolen and melted down into ingots and so on, but
23 effectively you are saying we got close to £700 million
24 worth of bangs for our 700 million bucks?

25 MR MARTIN DINHAM: If we were transplanting that to some

1 other country, we wouldn't have had to spend so much on
2 security. But in terms of the delivery, yes.

3 SIR RODERIC LYNE: Good. You have talked a lot about the
4 fluctuating tensions between yourselves and the military
5 and other bits of civilian Whitehall, essentially at
6 a tactical level, partly theatre, partly back in
7 Whitehall. To what extent at Cabinet level was DFID
8 part of an integrated government carrying out policies
9 set by the Prime Minister and the Cabinet? Was there
10 a divergence of that?

11 MR MARTIN DINHAM: No, not in my time. Hilary Benn was the
12 minister throughout my period. He was at -- there were
13 a series of meetings -- the Cabinet met in
14 committee, sometimes every two weeks, which was either
15 chaired by the Foreign Secretary or the
16 Defence Secretary or, on occasion, the Prime Minister.
17 And officials would normally go along to that as well --

18 SIR RODERIC LYNE: You are talking about the period --

19 MR MARTIN DINHAM: From 2005 --

20 SIR RODERIC LYNE: After Clare Short's resignation?

21 MR MARTIN DINHAM: That was before my time.

22 SIR RODERIC LYNE: And although you were in another part of
23 DFID you can't really talk about Iraq policy at that
24 time?

25 MR MARTIN DINHAM: No, I wasn't involved in Iraq policy.

1 I read the newspapers.

2 SIR RODERIC LYNE: Okay, thank you.

3 THE CHAIRMAN: I think that brings this session to a natural
4 end, unless any of you would like to make any closing
5 observation. Mr Pickford?

6 MR STEPHEN PICKFORD: Perhaps just one extra point, which is
7 the points that you were discussing about fraud and
8 whether you can get more bang for your buck out of the
9 very considerable spending that was happening in Iraq.
10 I just highlight again that for us, from our relatively
11 narrow perspective, but nevertheless, we felt that
12 putting the priority in the early phases in terms of
13 trying to build up the capacity on public expenditure
14 and financial management was really important. And one
15 of the things that I think has been a lasting benefit
16 for Iraq is the way we set up in the early days the
17 Development Fund for Iraq and the International Advisory
18 and Monitoring Board, which was effectively an
19 international way of trying to monitor the accounting,
20 the financial management of what was a very
21 considerable flow of Iraqi resources, and I think that
22 has been of benefit.

23 THE CHAIRMAN: Thank you. Mr Drummond?

24 MR JIM DRUMMOND: No.

25 THE CHAIRMAN: With that I will draw this session to a close

1 with some general remarks about the Inquiry so far.

2 We have now completed our first four weeks of public
3 hearings. We have examined 38 witnesses, including
4 yourselves, over 23 witness sessions. Since July we
5 have received more than 40,000 government documents with
6 more than 12,000 from Number 10 alone. We have held two
7 public seminars and six meetings with bereaved families
8 and with veterans and a further one tomorrow, and yet
9 all this is no more than the end of the beginning for
10 us.

11 We expect to hold five more weeks of public hearings
12 in the New Year with a further week then to complete the
13 narrative covering the period 2007 to 2009, and then
14 four weeks in January and February with the most senior
15 decision makers. This will mark a new phase to this
16 round of public hearings, and in subject matter we will
17 be returning to examine more closely many of the issues
18 that have been raised in the past few weeks as we have
19 been constructing the narrative.

20 We will also hold a further round of public hearings
21 in the middle of 2010 and we shall also need to hold
22 a number of private hearings in circumstances where the
23 criteria set out in the protocols on our website are met
24 in order to gather and sift additional evidence.

25 In the round, it is this accumulation of evidence

1 which is going to provide the basis for our analysis and
2 the ultimate conclusions and recommendations which we
3 hope and intend to present to Parliament before the end
4 of next year, if at all possible. The substance of our
5 recommendations and judgments will not be known, even to
6 the members of the Committee, until we have reached the
7 last stages of the Inquiry.

8 We have been given access to evidence which is
9 necessarily held in confidence as well as to those
10 people who took and implemented difficult decisions, and
11 we are determined that our judgments should be fair,
12 realistic and squarely based on a thorough review of
13 this evidence. We shall not rush to judgments based on
14 partial evidence or opinions of whatever kind.

15 So while, therefore, I shall make no comment today
16 on the substance of our report, I think nonetheless it
17 is an appropriate moment to underline certain points
18 about the process.

19 In the hearings so far, a huge amount of valuable
20 and illuminating evidence has been uncovered, and that's
21 why we approach the opening phase of hearings in the way
22 we did. We have not been trying to ambush witnesses or
23 score points. This is a serious Inquiry and we are not
24 hear to provide public sport or entertainment. The
25 whole point of our approach has been to get to the

1 facts. We have been asking fair questions and have been
2 expecting, and getting, full and truthful answers. That
3 is the essence of a formal public inquiry and witness
4 have responded to this approach by being commendably
5 open and candid, highlighting a number of issues which
6 we shall examine much more closely as the Inquiry
7 continues.

8 Our model of questioning and our selection of
9 witnesses in the hearing up until 11 January is designed
10 to help to establish the narrative. We took a conscious
11 decision to do this through the oral hearings rather
12 than through the publication of a mass of documentary
13 material because we believe that this is the most
14 helpful way to provide the necessary context.

15 We have, therefore, not yet made any requests to
16 government to declassify documents to allow them to be
17 published. As we move into the next phase of evidence
18 taking, where we will hear from ministers and the most
19 senior civil servants and military officers, the Inquiry
20 will increasingly wish and need to draw on government
21 documents and records which are currently classified, in
22 some cases highly classified, in its questioning.

23 Where we do, we will seek the necessary
24 declassification of the records in advance of the
25 relevant public hearings, with a view to making the

1 written records available at that point.

2 I have been pleased and, indeed, proud that our
3 hearings have been broadcast and watched by people all
4 over the world by World Wide Web, and just short of
5 70 hours of footage is now available on our own website
6 for all to watch.

7 I have also been grateful to all members of the
8 public, including those here today, who have taken the
9 time to come and join and witness our proceedings here
10 at the QE2 Centre. Taken together, this is an
11 exceptional level of openness, and my colleagues and
12 I remain committed to hearing as much of the evidence in
13 public as possible.

14 Evidence will only be heard in private in the narrow
15 circumstances we have set out in the published protocols
16 on our website. But I would like to be absolutely clear
17 about this: evidence sessions with key decision makers,
18 including the former Prime Minister, will be in public.
19 They will be openly questioned about the big issues that
20 they were involved in.

21 And finally, we find ourselves conducting the first
22 public hearings of this kind in the months leading up to
23 a general election. This Committee is strictly
24 non-partisan and we are determined to remain firmly
25 outside party politics. We have informed members of

1 Parliament that we are ready to meet them if they want
2 an explanation of our working methods, but the Inquiry
3 should not be used as a public platform for political
4 advantage, and that is why we shall not be holding
5 public hearings in the period of an election campaign.

6 As I said, this is the end of the beginning. We are
7 encouraged by the progress made already and important
8 themes are emerging. The issues are becoming clear, but
9 it will take more time to reach the answers. We are
10 very aware of how much remains to be done, not least
11 because this is not a single-issue Inquiry. It has
12 multiple facets and complexities over an eight-year
13 period. But we remain hopeful of completing the task
14 within about a year from now.

15 In closing, I want to record our thanks to the QE2
16 Centre and to Bow Tie Television for facilitating our
17 hearings and making it possible for people across the
18 world to follow the proceedings. In particular our
19 thanks go to our long-suffering stenographer and editor
20 from Merrill Legal Solutions, who have worked so very
21 hard each day to deliver transcripts at every session.
22 On behalf of the Inquiry, I wish them and all our
23 audience a happy and restful holiday season.

24 Thank you.

25 (3.20 pm)

1 (The Inquiry adjourned until Tuesday, 5 January 2010)

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MR JIM DRUMMOND, MR MARTIN DINHAM	1
and MR STEPHEN PICKFORD	

FINAL