

Friday, 16 July 2010

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(9.30 am)

MR MICHAEL WAREING

THE CHAIRMAN: Good morning and welcome and welcome to you.

MICHAEL WAREING: Good morning.

THE CHAIRMAN: Good morning. In this session we are hearing from Michael Wareing, who was the British Prime Minister's Envoy for Reconstruction in Southern Iraq and also co-chairman of the Basra Development Commission, and you had these roles, we understand, between November 2007 and July 2009.

MICHAEL WAREING: That's right.

THE CHAIRMAN: I say on each occasion, we recognise witnesses give evidence based on their recollection of events, and these events are receding into the past, and we are, of course, checking what we hear against the papers to which we have access and some of which are still coming in.

I remind every witness that they will later be asked to sign a transcript of the evidence to the effect that the evidence they have given is truthful, fair and accurate.

With those preliminaries, I'll turn to Baroness Prashar to open the questions.

BARONESS USHA PRASHAR: Thank you very much. Good morning,

1 Mr Wareing.

2 MICHAEL WAREING: Good morning.

3 BARONESS USHA PRASHAR: I want to really start by getting
4 a picture of when you were approached, and by whom, to
5 play a role in Iraq.

6 MICHAEL WAREING: Yes. It had been clear that they had been
7 developing a role and were looking for candidates for
8 it. I actually was chairing a charity focused on
9 homeless ex-services people, primarily in London,
10 Project Compass. We had a fundraiser and I had
11 Des Browne, then the Defence Secretary, as the guest
12 speaker, sat next to him all night, and he asked for
13 a business card at the end of it, which I thought was
14 rather unusual, but he probably wanted some personal tax
15 advice or something, and then I had a call from the
16 government a couple of weeks later, asking whether
17 I would be prepared to have my name on the short list.

18 The role was explained broadly and then I said
19 yes -- it was quite difficult to say no -- and then, to
20 my slight surprise, got a call from Number 10 to say
21 that they would like me to do it.

22 BARONESS USHA PRASHAR: So it really came from
23 a conversation with Des Browne who put your name into
24 the pool and then Number 10 got in touch with you?

25 MICHAEL WAREING: Yes, the role wasn't from that

1 conversation. It was really me as a candidate that came
2 from that.

3 BARONESS USHA PRASHAR: So how did they describe the role
4 they wanted you to play?

5 MICHAEL WAREING: It was clearly something that was
6 developing, it was very new, as I understood it at the
7 time. I understood it actually hadn't been done before,
8 and it was really three things: it was to champion
9 economic development, particularly in Basra and the
10 south; to champion international investment into Iraq;
11 and, thirdly, to help set up and to chair the Basra
12 Development Commission, which, again, was a new body,
13 didn't really have a previous brief on that.

14 So it was very much to take that, but to also, as
15 well as to run it, to help actually develop it and to
16 develop the brief at the same time.

17 BARONESS USHA PRASHAR: During the course of these
18 discussions, were you interacting, giving your own
19 ideas, were you hearing different things from different
20 ministers? I mean, how did it all evolve?

21 MICHAEL WAREING: After I had been asked to do the role,
22 there was a period, particularly over Christmas 2007
23 and January/February 2008, where it was sort of a huge
24 briefing exercise by all the different parties involved
25 and by, also, the different government departments

1 involved, particularly DFID and the MoD; but also
2 Number 10 as well.

3 Really, as a consequence of that, we shaped what
4 needed to be done, worked out a rolling programme of
5 target events and things that we were trying to achieve
6 over the next 12-month period.

7 BARONESS USHA PRASHAR: The three different departments --
8 Number 10, MoD, DFID -- were you hearing a different
9 emphasis from them and who is "we" when you say "we
10 developed the role". Did you see a different emphasis
11 in what they wanted you to do?

12 MICHAEL WAREING: To some extent yes, because it was a new
13 role, and so there wasn't really a clear path as to how
14 it should be laid out. I think it is fair to say, as
15 I know, you know, has been said here before, there were
16 some differences of view between, perhaps, the military
17 view and the DFID view around sort of doing things and
18 building things --

19 BARONESS USHA PRASHAR: Can you spell out what the
20 differences were?

21 MICHAEL WAREING: Well, the military view -- and this isn't
22 just something unique to the UK; it was very sort of
23 apparent on the US side as well. The military view
24 tended to be that one should go out and build bridges
25 and hospitals and sort of do stuff. The DFID view was

1 much more around capacity building and actually working
2 with and helping to develop the government machine.

3 I think at the beginning those views were, it felt,
4 at slight odds with each other. Actually, over time, as
5 we will perhaps come on to, very interestingly, those
6 two views very much converged.

7 BARONESS USHA PRASHAR: Did you get any sense that issues
8 like ultimate withdrawal of the¹ -- from Iraq was a major
9 factor in the briefings and what did they think success
10 would look like, you know, when you had completed what
11 they wanted you to do?

12 MICHAEL WAREING: Sure. Certainly the troop withdrawal,
13 from my personal point of view, and my brief, wasn't on
14 the radar screen at all at that stage. That really
15 didn't come into focus until probably towards the end of
16 2008. But in terms of what success would look like,
17 that was really defined in a development plan, which
18 I drew up in February/March 2008, which you have got
19 a copy of.

20 BARONESS USHA PRASHAR: Yes, we have seen that.

21 MICHAEL WAREING: That really laid out what one might say
22 was a pretty ambitious set of goals, particularly given
23 the circumstances at the time, in terms of specific
24 projects and specific things that we felt potentially
25 could be achieved within a sensible timeframe, sort of

¹ Baroness Prashar meant to say "withdrawal of UK troops"

1 a year/two years maximum.

2 That was really what we were measuring ourselves
3 against, rather than any other clear end-goal.

4 BARONESS USHA PRASHAR: But based on your impressions of
5 Iraq at the time, did you think that what you were being
6 asked to do was realistic? You say it was ambitious,
7 but was it realistic?

8 MICHAEL WAREING: It felt pretty daunting, particularly with
9 the circumstances on the ground at the time and the
10 security at the time. I think, to be honest, it was
11 very difficult to accurately assess it, because there
12 were just so many unknown factors.

13 Around the time of -- from when I was first
14 appointed, up until when I first went into Basra and
15 Baghdad in February 2008, you know, I had nothing really
16 to judge it on, other than, you know, what anyone could
17 read in the press.

18 I had never actually been into a war zone before.
19 I had done a lot of things that were around the skill
20 set that were perhaps needed for this role, but I had
21 not done a role of equivalent type in a post-conflict
22 zone before, so it was actually quite hard to assess
23 what it was going to be like, other than just actually
24 doing it and taking it a step at a time.

25 BARONESS USHA PRASHAR: So it was a challenge you couldn't

1 refuse really?

2 MICHAEL WAREING: It felt pretty challenging.

3 BARONESS USHA PRASHAR: The government had argued for
4 economic reconstruction in Basra as a priority since
5 2003. Were you surprised that no one had been asked to
6 perform that role before late 2007?

7 MICHAEL WAREING: I think I would have found it very
8 difficult to judge that one way or the other. Certainly
9 at the beginning -- I think it was clearly a new idea,
10 as you know. It was very much the brainchild of
11 Gordon Brown, who had recently become the Prime Minister
12 at that time.

13 I think also, clearly there was a big issue around
14 the ability to do successfully a role like that, given
15 the very dysfunctional state that the national and local
16 government was in.

17 One of the other key factors was that there was
18 basically -- was almost no private sector in Iraq. The
19 whole system had basically been focused around large,
20 state-owned enterprises, with very large levels of
21 employment within them, but very, very inefficient,
22 a lot of the employees actually not turning up for work,
23 and so it was perhaps difficult to judge at what point
24 in time it was absolutely right to do this. On top of
25 that, of course, you had the security situation.

1 So whether it could have been done earlier, maybe,
2 certainly in terms of planning and I think certainly
3 with these things, it is important to do the planning
4 early so that when the conditions on the ground are
5 suitable, that you really have got everything in place
6 to then take full advantage of that.

7 BARONESS USHA PRASHAR: What you are saying is they could
8 have had a plan ready to implement when the conditions
9 were right?

10 MICHAEL WAREING: Yes.

11 BARONESS USHA PRASHAR: That could have been done before
12 2007?

13 MICHAEL WAREING: It could have been done in 2007, I think,
14 but bear in mind as well that, of course, conditions on
15 the ground themselves were changing. The situation at
16 some of the places that became our key areas of focus,
17 like the airport and the ports, et cetera, was a dynamic
18 one as well.

19 So I think there was maybe a little bit of a lag,
20 but actually not a big one, between getting the plan
21 done and in place, really socialising it to a huge
22 number of people across Whitehall, as well as in Iraq,
23 and then really beginning to drive it.

24 I guess I was very fortunate, timing-wise, with the
25 way that the security position, almost in parallel with

1 that, changed. Difficult to say clearly what would have
2 happened if the security position had stayed as it was
3 in January and February 2008, as to how that would have
4 then felt.

5 BARONESS USHA PRASHAR: My colleagues will pursue that with
6 you, but I just want to come back to some of the
7 economic challenges, because the Prime Minister did say
8 that, you know, there were three priorities: security;
9 political reconciliation; and economic reconstruction,
10 and Iraq, as we know, is heavily dependent on oil
11 revenues -- 95 per cent² -- and employs only 1 per cent
12 of the workforce.

13 Now, that obviously presents challenges and affords
14 opportunities. In that context, what do you think the
15 ministers here understood when they asked you to do economic
16 construction? What did that include?

17 MICHAEL WAREING: The brief, as I mentioned, was very open.
18 So, although I received a great deal of views, advice,
19 thoughts, there wasn't really an "Oh, and by the way,
20 whatever you do, you must do this", it was very much to
21 be developed and worked out at the time.

22 I think actually that was a big advantage, because
23 one of the things that became very clear was that, you
24 know, in any situation like that, but in particular,
25 given the circumstances of making things happen in Iraq,

² According to The Economist of 1 July 2010 95% of the Government of Iraq's revenue comes from oil.

1 which was, you know, an issue unto itself, that if you
2 started with ten things to do, you know, then it would
3 be great if you got six or seven of them done. But
4 actually, at the beginning, it was actually pretty
5 difficult to work out which the six or seven would be.

6 So to some extent, there was a great need to be
7 flexible, to actually not have pet projects that you
8 stuck to, come what may, and, to some extent, to
9 actually go for the low-hanging fruit, and that was
10 actually difficult to see very clearly at the beginning
11 of 2008. It became a lot clearer as time went on and as
12 we pursued a number of these things, but at the
13 beginning of 2008, you know, I think it would have been
14 very difficult to have predicted what was going to
15 happen as that year went by and into 2009.

16 BARONESS USHA PRASHAR: But in the context of the sort of
17 oil revenues, you know, were they concerned about
18 raising Iraq's GDP or per capita income or was it about
19 managing the volatility of oil revenues?

20 MICHAEL WAREING: I think -- forgive me, I slightly missed
21 your question.

22 I think there is a really important point on this,
23 which was, as you say, Iraq's economy, from a macro
24 point of view, was very dependent on oil, but actually,
25 within that, the number of people that were employed in

1 the oil industry was disproportionately low, as you
2 quite rightly said.

3 Interestingly, in terms of, if you take
4 international investment to develop the oil further,
5 there is no question that that would have been of
6 a great benefit to the economy. There is no question
7 that it would have been of some benefit to the local
8 economy, including in Basra, because Basra had so much
9 of the oil, but again, actually, that impact would not
10 have been as huge as would have been the revenues
11 flowing into Baghdad.

12 So to some extent, one of the things that became
13 clear pretty quickly was that this was not about oil and
14 gas, this actually was about developing in many ways the
15 rest of the economy, including the local economy and
16 things that would have a direct bearing on the local
17 economy, outside of the oil and gas industry, because,
18 actually, that would be what would create employment and
19 that would be what would create economic development in
20 Basra and the south, and that, in turn, would be what
21 would give a much better framework for stability in
22 terms of personal security, et cetera.

23 BARONESS USHA PRASHAR: So you are looking at other
24 things --

25 MICHAEL WAREING: Very much.

1 BARONESS USHA PRASHAR: -- and this is why the emphasis is
2 on inward investment to deal with employment issues?

3 MICHAEL WAREING: Yes, and that isn't to say that I, and we,
4 ignored oil and gas and I was quite involved, in
5 particular, with the Shell flare gas project and some
6 other things, because that was important and, in fact,
7 there would be a big benefit for the local subcontracts
8 that would be granted under that.

9 But actually, that wasn't the main focus at all.
10 The main focus was almost all (?) on the non-oil and gas side.

11 BARONESS USHA PRASHAR: In terms of inward investment, what
12 emphasis was placed on promoting the UK or
13 international investment? What was the strategy in
14 relation to inward investment?

15 MICHAEL WAREING: The brief, as I was given, was actually to
16 focus on and champion investment and economic
17 development generally. It was not to specifically
18 promote British investment, for example, and so,
19 basically, the line that I pursued was to help and to
20 try to push investment, not just from a British or
21 indeed a European or even a western, if you like, point
22 of view, but basically any investment -- and there was
23 a significant amount of investment from the Gulf region.

24 So, for example, when we laid out the investment
25 conferences that we wanted to set out in a programme,

1 very deliberately I asked that the first conference be
2 held in Kuwait, partly to -- because Kuwait was an
3 important focus, which we might want to come back to,
4 but also because there was so much potential for
5 investment in Middle Eastern companies, many of whom
6 were already operating in Iraq.

7 So it was very much not a UK brief.

8 BARONESS USHA PRASHAR: I mean, one purpose of inward
9 investment was to create small enterprises, you know, to
10 deal with employment issues, youth in employment.

11 I mean, the promotion of youth employment was
12 particularly important because there was concern about
13 the militias and -- you know, to divert young people
14 towards employment as opposed to dealing with activity
15 with the militias. Would that be an underlying factor?

16 MICHAEL WAREING: Well, there was clearly a very close
17 relationship between youth unemployment and the militias
18 and the security situation and the -- many of the young
19 people I met in developing and launching the youth
20 employment programme -- which, again, we might want to
21 come back to -- were basically people in their early
22 20s, who had left school at 15 and had been unemployed
23 ever since, and so they, of course, were a huge target
24 for the militias. So anything that could be done to
25 actually provide jobs and employment for them was going

1 to be very, very beneficial, and so, deliberately trying
2 to find things that could help SMEs in the region was
3 almost as disproportionately important as the oil
4 companies were the other way.

5 BARONESS USHA PRASHAR: Thank you very much.

6 THE CHAIRMAN: I'll ask Sir Martin Gilbert to take up the
7 questions. Martin.

8 SIR MARTIN GILBERT: You were recruited because of your
9 extensive business experience and I wondered, what space
10 were you given to shape the priorities you judged that
11 you and the UK Government team should be focusing on?

12 MICHAEL WAREING: It felt, at the time at least, as if I was
13 given a lot of space. Whether, of course that was
14 because what I came up with fitted with what was
15 comfortable is perhaps difficult to judge. But I think
16 one of the -- one of the big challenges at the beginning
17 was there was just so much that needed to be done.

18 Basically, everything was broken, you know, the
19 infrastructure, the government system, state-owned
20 enterprises, which was where all the employment was, and
21 at the same time there were potentially, with Basra
22 specifically, it was clear, a great deal of areas that
23 were potentially nuggets, if you like, of potential
24 development.

25 So finding things that were potential areas to

1 explore and develop was absolutely not a problem. The
2 big problem was: actually, how do you prioritise them?
3 I guess the really key thing with the economic
4 development plan, that I first drafted and then was
5 developed primarily through DFID, was to actually make
6 some quite tough choices between where the priorities
7 lay.

8 I think perhaps, other than just the one area, which
9 was the youth employment programme, which was a sort of
10 a completely new thing that I was able to put on the
11 table because of, actually, my involvement here in
12 London, working with the homeless, everything else was
13 something that was ready on the table to a greater or
14 lesser point of view.

15 The really difficult thing was to decide: well, what
16 can we do within a reasonably achievable timescale and
17 which are the projects that are going to really have
18 some benefit on the local economy?

19 SIR MARTIN GILBERT: You were given free reign to do that?

20 MICHAEL WAREING: Yes, but there was a great deal of
21 consultation. It wasn't a question of me sitting down
22 in a darkened room and saying, "Okay, this is the
23 answer", there was a great deal of discussion with all
24 three of the main government departments at the time,
25 and also increasingly with Simon MacDonald in the

1 Cabinet Office, really because -- I mean, frankly,
2 I knew nothing in terms of Iraq, Basra, what the issues
3 were. So everything that I got to learn was something
4 that I had to learn from other people.

5 SIR MARTIN GILBERT: That's one thing I would like to touch
6 on now. You visited Iraq frequently between 2007/2009.
7 Casting your mind back to your first visit, can you tell
8 us what your impressions were of the impact of the UK's
9 support on Basra's economic development at that time?

10 MICHAEL WAREING: There was a huge amount of interest on my
11 first visit with the possibility of this role working.
12 It created a very significant amount of local media
13 attention. We had a press conference in Basra Airport
14 with over 20 separate TV crews attending, pretty well
15 all of them local, and so there was, I think, at the
16 time, a great feeling of expectancy that they had been
17 through such a very tough period and maybe things were
18 about to change for the better.

19 SIR MARTIN GILBERT: Did you, as a result of this first
20 visit, see any particular changes of focus in what had
21 already been set in train?

22 MICHAEL WAREING: Yes, I think the first visit was in some
23 respects -- that didn't become clear. In part, I think
24 at a personal level because, frankly, it was the first
25 time I had been there. Going into there in the security

1 circumstances of February 2008 was fairly intimidating
2 and it was very much a question, I think, of just
3 getting up to speed and soaking up the issues.

4 I met a great deal of people, including business
5 groups, while I was there. I met the manager of the
6 ports, Captain Hussein, who was responsible for all five
7 of the ports, and we had the first meeting of the
8 Development Commission. So it was very much a learning
9 exercise.

10 I think it is fair to say that, from a personal
11 point of view, I didn't get real clarity in terms of,
12 you know, where we were really going to push, what was
13 really going to work, until probably, you know, the next
14 visit after that.

15 SIR MARTIN GILBERT: Right. You have mentioned the Basra
16 Development Commission and you were, of course, co-chair
17 together with an Iraqi co-chair. Can you tell us
18 something about the Iraqi partners in this work on the
19 Commission and what their input was?

20 MICHAEL WAREING: Yes, there were seven people on the
21 Commission. The other six were Iraqi. My co-chairman
22 was the Chairman of the Basra Provincial Council Finance
23 Committee and in that role was quite close to
24 Governor Wa'ili, which was an important relationship.
25 The others were either business people and there was one

1 academic, a very senior individual from
2 Basra University.

3 So it was quite a mixture of senior Iraqi people.

4 SIR MARTIN GILBERT: Were there any particular differences
5 of emphasis from the two Brits and the Iraqis?

6 MICHAEL WAREING: I think they were extremely keen to work
7 with us. There was a lot of goodwill right from the
8 beginning. I think they were very much looking for us
9 to lead and made that very clear. Having said that, we
10 had a number of quite spirited debates over time.

11 THE CHAIRMAN: Sorry to butt in, but did you conduct all the
12 business in English or did you have translation?

13 MICHAEL WAREING: It varied enormously. Mostly through
14 a translator, mostly through a translator. One or two
15 of them spoke -- they could understand more than they
16 could speak, which is not uncommon, but most of it was
17 through a translator, which obviously just makes it that
18 much more difficult.

19 THE CHAIRMAN: Sure.

20 MICHAEL WAREING: So we had a good interaction. I think the
21 critical thing that they brought to the table was
22 representation of the senior Iraqi view, you know,
23 Provincial Council business. The thing which was really
24 unique, that I would have struggled to have got
25 otherwise, was a real engagement between what we were

1 doing and what -- and what the Iraqis wanted to be done,
2 and we tried to be very sensitive to that.

3 So we tried to very much make it feel like it was
4 a -- everything was a collective decision. Everything
5 we did, we did because we all agreed we should do it,
6 not because we were telling them they should do it, and
7 that was a sort of subtle but very important point, and
8 I think they felt that and really respected that.

9 SIR MARTIN GILBERT: We understand that, during the course
10 of your work in your visit there, you met with
11 General Petraeus.

12 MICHAEL WAREING: Yes.

13 SIR MARTIN GILBERT: I wonder if you could tell us something
14 about US priorities and how they influenced you and what
15 Petraeus' view was of the economic dimension and its
16 relationship with the military.

17 MICHAEL WAREING: Yes, I met with General Petraeus
18 in March 2008 at his command centre in Baghdad and we
19 had a very wide-ranging conversation, mainly about
20 economic development, and he had some very, very helpful
21 views.

22 One of his recommendations, for example, which
23 I went back and sense-checked with Des Browne at the
24 time, was that we should set up a specific Basra team in
25 Baghdad, in order to try to develop and deliver the

1 political -- the Baghdad end of the Basra story, if you
2 like.

3 In fact, we did that. We set up a Basra Support
4 Office with quite a number of people -- seven, I think,
5 in it -- in Baghdad. So he gave some very specific
6 advice. He was also very encouraging about what we were
7 going to do generally. I took him through the
8 development plan, explained what we were going to do.

9 He had a relationship with an American senior guy
10 called Paul Brinkley, who was from the Department of
11 Defence, and Paul ? was responsible for all of the
12 American development. So he was spearheading all of the
13 American efforts on economic development in Iraq and
14 I met with Paul, both in the UK and in Iraq.

15 Their focus tended to be a lot more on the
16 agricultural side, and that was really reflected by the
17 fact that they were, in effect, responsible through the
18 coalition for all the areas of Iraq other than Basra and
19 the south, which was overwhelmingly agricultural.

20 Basra was very much the industrial centre, and so,
21 whilst there was some overlap and some commonality,
22 actually it wasn't all that great, although within
23 Paul's team there was an individual called
24 Chris Haag(?), who was responsible for the banking
25 industry, and Chris and I agreed that, actually, we

1 should work together more effectively to try to develop
2 the banking sector in Basra, which we did.

3 That included having at least one or two banks in
4 Basra that could handle electronic payments. At the
5 time, none of the banks could handle electronic
6 payments, which made it very, very complicated just in
7 moving money around.

8 So that was done. So there was a definite dialogue
9 and involvement with the Americans and with
10 General Petraeus and with his other commanders. But in
11 some respects, our agendas were a bit different, just
12 because of the different circumstances of Basra compared
13 to the rest of Iraq.

14 SIR MARTIN GILBERT: Was there an American helpful
15 involvement in the Basra Support Office in Baghdad?

16 MICHAEL WAREING: Sorry, say again?

17 SIR MARTIN GILBERT: Was there an American help aspect in
18 the Basra support office in Baghdad? Were the Americans
19 able to assist in logjams --

20 MICHAEL WAREING: We didn't have an American in there as
21 such. We had a military person, though. Again, I asked
22 Des Browne if we could have a military individual within
23 the team just to help that connection, and that was done
24 straight away and somebody was deployed.

25 I think the other very important point was that

1 General Bill Rollo, initially, who -- I caught the end
2 of his tour, but he was very helpful in briefing me.
3 But then, in particular, General John Cooper -- whom
4 I know you have spoken to -- was actually the number 2
5 under General Petraeus, and then General Petraeus'
6 successors. So they were very, very much linked in to
7 what, of course, was a coalition, rather than US and UK,
8 and really that was a very important connection.

9 SIR MARTIN GILBERT: The military man on the BSO was
10 a British military secondment?

11 MICHAEL WAREING: Yes, the BSO was primarily DFID-supported.
12 There were consultants in there from COFFEY, who were
13 the main consultancy for DFID. We had some local
14 Iraqis, because their main role was interfacing with the
15 ministries, and we had a military person.

16 SIR MARTIN GILBERT: The Basra Economic Strategy also lists
17 both Japanese and UN involvement in various ministries.

18 MICHAEL WAREING: Yes.

19 SIR MARTIN GILBERT: How did you engage with these and any
20 other international partners to agree your priorities?

21 MICHAEL WAREING: The UN had an element within the PRT. So
22 the PRT, as I found the first time I went and introduced
23 myself around them, was an incredibly cosmopolitan
24 group. So from that point of view, there was, if you
25 like, a UN interface. I did not really have any very

1 specific interface from a UN point of view other than
2 that.

3 I guess, perhaps because their involvement was much
4 more macro-Iraq rather than, you know, very specific,
5 get this project done in Basra.

6 In terms of Japan, one of the other sort of curious
7 factors right from the beginning was that the one thing
8 that was not lacking in Iraq was money, perhaps
9 surprisingly, and in fact, almost one of the problems
10 was that there were so many different potential sources
11 of funding, including a whole portfolio, if you like, of
12 potential loans available from Japan, already at the
13 beginning of 2008, specifically earmarked against
14 individual projects, including, for example, very
15 specific areas of development with An Qasr, the port,
16 that it was -- it almost added to the difficulty of
17 navigation in terms of, "Well, so, okay, I have decided
18 I want to do this project, I have decided this is what
19 we want to do and there are these multiple different
20 ways we could fund it", and that was another decision
21 you had to take on top.

22 The Japanese loans were important but they had a --
23 quite a long tail and complexity to them, in terms of
24 actually delivering the funds on the ground. Whilst,
25 initially, it felt like they were very important, which

1 is why we find them fairly prominent in the development
2 plan, actually, as time moved on, it became apparent
3 that, frankly, within the sort of time focus that I was
4 really continually rechallenging with, it was probably
5 not going to be the case that we were going to get many
6 of those funds in place to do those projects.

7 What was more important was to actually get the
8 projects agreed, get the tenders out and the funding
9 would be further down the line. So the importance of
10 the Japanese loans, which you see referred to quite
11 a lot, from my own personal point of view became less
12 critical; they were still important and it was a lot of
13 money. It was billions of dollars.

14 SIR MARTIN GILBERT: What support were you getting from the
15 UK Government to carry out these various aspects of your
16 role?

17 MICHAEL WAREING: Well, very considerable and from -- and
18 from at least three, if not four, different government
19 departments. So DFID were my main sponsor and I saw and
20 corresponded quite a lot with Douglas Alexander. DFID's
21 Head of Middle East and North Africa, initially
22 Barb Hendrie, but then Donal Brown, were really my main
23 point person. They were my go-to person for further
24 resources and for just about everything else, and they
25 had a whole team in London, Basra and Baghdad, as you

1 know.

2 The FCO were quite important because of, not just
3 the Kuwait possibility, but also because they oversaw,
4 as you will be aware, the PRT. So David Miliband
5 personally, but also people like Frank Baker in the FCO,
6 were important.

7 MoD, Des Browne in particular, I think, in part
8 because he knew he was responsible for me being there
9 was actually very supportive, and then John Hutton after
10 him. BERR and UKTI very much got involved as we went
11 into 2009. I did a visit with Peter Mandelson
12 in April 2009, which was very important, and then
13 finally, as I have mentioned, Simon MacDonald at the
14 Cabinet Office was really a key relationship for me,
15 particularly as a lot of the issues were
16 cross-government departments. So the support was very
17 significant.

18 SIR MARTIN GILBERT: In terms of the balance between these
19 different departments, were there any changes you sought
20 in the sort of weight which different departments had
21 and the help they could give you?

22 MICHAEL WAREING: Yes, DFID were the main sponsor and you
23 know, that was agreed, as you know, in government
24 circles, including somebody had to lead. I think what
25 was really helpful was that, after a relatively short

1 period of time, we got, in part through the development
2 plan that we did -- or perhaps I should say largely
3 through it -- we got real clarity, not just in terms of
4 what we wanted to focus on, but the other really key
5 column that you will see in that development plan, which
6 might look benign but actually was really important,
7 was: who is going to lead?

8 You know, on some of the projects in the early days,
9 such as, for example, the ports -- that was an
10 absolutely, probably the classic example -- there was
11 not only an extraordinary array of different views, in
12 terms of what was important, what wasn't, how should we
13 do it, how shouldn't we do it, such that, in early 2008,
14 it felt, particularly on the ports, like every meeting
15 I went to, was relatively convincing in terms of the
16 strategy that completely contradicted all of the
17 previous meetings.

18 But the other thing that was a problem was that so
19 many people one met felt that they were actually in
20 charge and the other really key thing that I think we
21 did in that document and then socialised around
22 Whitehall was to say, "Well, okay, you know, let's be
23 clear, the FCO are leading on Kuwait, the MoD are
24 leading on this, DFID is leading on this, et cetera,
25 et cetera, and you know, the Development Commission will

1 lead on investor conferences", for example.

2 That may seem a small point, but actually it was
3 really important in terms of clarity, as to, not just
4 how we got things done, but also who I went to in terms
5 of, you know, who was actually responsible for the
6 progress.

7 SIR MARTIN GILBERT: In terms of international partners, was
8 this also an issue, the need for clarity?

9 MICHAEL WAREING: Yes, we -- you will see again in the
10 document that there are quite a number of areas where
11 the US, we agreed, would lead, and so that -- I mean,
12 that was very deliberate, in order to try to bring them
13 into all of that. Again, the ports was an area where,
14 you know, they were very interested as well. So it was
15 really key to agree who was pushing and who was pulling
16 on that.

17 In fact, in the end, one of the really key things
18 that happened on that was General John Cooper, then in
19 Baghdad, chaired a steering group with all of the key
20 parties involved, including the Americans, to actually
21 focus the attention on that particular project.

22 SIR MARTIN GILBERT: Thank you. That's very helpful.

23 THE CHAIRMAN: I'll turn to Sir Roderic Lyne now, Roderic?

24 SIR RODERIC LYNE: You say this was the first time you have
25 been into a war zone and I would just like to explore

1 a little bit how big a constraint security was on the
2 work you were trying to do.

3 In July 2008, when you had been involved for a bit
4 over half a year, you told Reuters that, if you were
5 used to operating in Kazakhstan, Venezuela or the
6 Niger Delta, then you would look at Iraq in a very
7 different way to the way that somebody would look at it
8 from London.

9 How different was it? I mean, can you really equate
10 the war zone of Iraq, with the Niger Delta, however
11 difficult that is, and where there is indeed conflict,
12 and how did this change in the year and a half that you
13 were visiting Iraq?

14 MICHAEL WAREING: A couple of points in terms of at the
15 beginning. One of the things that I found really quite
16 startling almost was we ran an investment conference in
17 Kuwait, as I mentioned, in March 2008, and actually,
18 within March, it was before Charge of the Knights. So
19 actually it was, you know, very much during the time of
20 the pre-Charge of the Knights security situation.

21 The thing that I found extraordinary about that
22 conference, where we had very significant attendance
23 from, particularly, Middle Eastern companies looking to
24 invest in Iraq, was that actually they listed -- we had
25 a question and answer session, which I chaired, and we

1 asked them to come up with their sort of pecking order
2 of constraints, things that they wanted to get fixed.

3 Interestingly, even in pre-March 2008, before Charge
4 of the Knights, the biggest thing that they listed in
5 terms of barriers was the ability to engage with the
6 government and get tenders agreed.

7 Security actually was much lower down the list than
8 you would possibly imagine.

9 So they actually saw it from a very different
10 perspective than the perspective of, say, western
11 companies and, indeed, people like myself or ourselves.

12 So -- and there is no question that when I very
13 first got involved, you know, Shell were ready to sign
14 a flared gas contract on the day that I was appointed,
15 notwithstanding the security issues, notwithstanding all
16 of the other problems, because they saw it as such a big
17 opportunity and they felt that they could manage the
18 security situation.

19 So interestingly, even without the huge change that
20 unquestionably took place, there were people knocking on
21 the door, wanting to invest, even at that time.

22 The Reuters comment, which also was, I think, picked
23 up from a Radio 4 interview, was much more in answer to
24 pretty well exactly the challenge and the question that
25 you have asked -- more to point out that you need to be

1 careful how you compare Iraq and I think the point I was
2 making was it is wrong to compare Iraq to London and
3 Paris or New York. Actually, what you need to do is to
4 compare it to emerging markets around the world and to
5 some of the issues that they have, not just in terms of
6 security, but also in terms of things like corruption,
7 infrastructure, et cetera.

8 So you know, even if you take a tremendously
9 successful and booming economy like China or India, for
10 those of us that have been there a lot, you will see
11 issues on the infrastructure, clean water, electricity,
12 et cetera, which give you a much more different
13 perspective to judging a country like Iraq than if you
14 were sat here in London.

15 So that was really the analogy I was trying to make.

16 In terms of the security position and how it
17 developed, it was huge in terms of the change and, you
18 know, frankly, I was very lucky in terms of how that
19 developed at the same time that I happened to be on the
20 ground trying to do this role.

21 Just to sort of illustrate that, when I very first
22 visited Basra in February 2008, I was only able to be on
23 the military base, on the COB. The first night I was
24 there, there were five people were killed in rocket
25 attacks on the base; and anybody that wanted to come to

1 see me, including the Governor himself, who did, had to
2 not only travel from the city to come to see me, but
3 also had to travel along what was considered to be one
4 of the most dangerous roads in the world between the
5 city and the base.

6 So that was very difficult.

7 If you roll forward to August 2008, when I had
8 a third or fourth visit, for the very first time I was
9 actually able to travel into the city but I was in
10 a Mastiff convoy. So you know, I was turning up to meet
11 local Iraqis stood at the doorway in their shirt sleeves
12 in a convoy of three or four Mastiffs trundling down the
13 road, you know, with me stepping out in full body
14 armour, surrounded by guys with guns, which was great in
15 that I could go and see them, but was, you know, a kind
16 of curious way for your British neighbours to be
17 arriving when you were stood there in shirt sleeves.

18 Roll that forward again to November 2008, and that
19 was the first time that I was able to travel round the
20 city in a -- albeit hardened vehicles, but in a normal
21 four-wheel drive convoy and literally was able to drive
22 around the city, multiple meetings, past some of the
23 most dangerous areas of the city, and that changed
24 everything in terms of local engagement, ability to meet
25 people, even as we went into 2009, the ability to

1 actually get out and walk around rather than to get out
2 of the vehicle straight into a meeting, surrounded by
3 close protection people and then come out and away.

4 So as we went into 2009, I was able to actually walk
5 on the Corniche, I was able to visit different projects
6 in Basra. So you know, the difference between those
7 two, you know, you couldn't get more extreme really.

8 SIR RODERIC LYNE: Presumably, security affected the
9 different initiatives you were promoting in different
10 ways. Which were the ones that, when security was
11 difficult, you were still able to advance most
12 productively?

13 MICHAEL WAREING: I think the probably the biggest issue was
14 concerning British and European/American companies to
15 really take the opportunities seriously. I think, as
16 I have said, there was already a lot of work being done
17 by Middle Eastern companies. There was actually quite
18 a lot of funds and projects being spent on the ground in
19 Basra in development work already. So that was all
20 happening.

21 But I think, for western investors to really have
22 the confidence to get involved, they were obviously much
23 more nervous outside the oil companies, who, you know --
24 hence the Reuters quote -- were -- the point I was
25 making was that these people are used to working in some

1 very, very tough environments because that's where the
2 oil is, but a lot of other companies aren't.

3 So if you look at some of the companies that were on
4 the Peter Mandelson visit in April 2009, there were
5 companies like GlaxoSmithKline, HSBC, a law firm, we
6 were talking to a private equity house, who are still
7 there. Some of those it was -- there was a clear
8 opportunity, but it wasn't so absolutely compelling as
9 it was for a Shell or a BP, that we almost had to be
10 there.

11 SIR RODERIC LYNE: Looking now at the other end of the
12 telescope, what impact did your initiatives have in
13 terms of helping to contribute to an improvement in
14 security in Basra?

15 MICHAEL WAREING: Difficult to measure that, but there is no
16 question that, as the economy improved, so the security
17 was improving and the two were working together.

18 I mentioned the youth employment programme. That
19 was involving 500 young, unemployed people to get
20 training, but also to have what was a ten-month job
21 placement with local Iraqi companies. All of those
22 young people otherwise would have been unemployed.

23 So I think one can say that that had a significant
24 bearing, not just because it was being done, but because
25 a lot of people got to hear about it and the whole,

1 I think, spirit, of optimism in the city grew
2 significantly.

3 I think the other thing that was very strongly
4 apparent from talking to a lot of the local people was
5 that there was an absolute determination that they did
6 not want to go back to where they had been in terms of
7 security and in terms of the suffering that they had
8 been through. So there was a hugely positive sort of
9 will and spirit, I think, within the local business
10 community and within the local population, that they
11 were determined that this was going to move forward and
12 it was going to be successful.

13 That, I think, helped enormously as well.

14 SIR RODERIC LYNE: Were you able to talk directly to some of
15 the young people and get some feel about what might
16 attract them either into militias or, indeed, into jobs
17 and what their motivation was?

18 MICHAEL WAREING: Yes, I sent you some pictures, I thought
19 you might like some pictures rather than a large report
20 with lots of writing in it, which actually shows a visit
21 I did to the local training college, which would have
22 been in August 2008, and I met a very great deal of the
23 young people that were involved in the scheme.

24 The thing that really struck me was just how
25 incredibly positive they were. You know, when you think

1 that these were, as I mentioned before, young people who
2 had typically left school at 15. There is a picture of
3 me with a couple of young guys on a lathe, you know,
4 from memory, the one was 23, the other was 24. Neither
5 of them had had a job since they left school at 15, and
6 you would think, with everything that had happened in
7 their lives, everything that had happened in the city,
8 that, you know, one could have perhaps forgiven them for
9 being, you know, very negative, very perhaps, even,
10 anti-British. But that absolutely was not how I found
11 it and how I found them at all. They were incredibly
12 positive. They were very excited, I think, about what
13 they felt was a real opportunity, and it went down with
14 them, I think, incredibly well. So their focus was very
15 much that this was a new beginning.

16 That project -- I mentioned it once or twice
17 already -- is still ongoing, I'm pleased to say. I'm
18 told that 95 per cent of the places have been filled.
19 So about 450 young people actually are today, as we sit
20 here, on job placements, having been trained. There is
21 a very broad spectrum of things they have been trained
22 in, from fairly basic things like welding and lathes to
23 computer software and engineering and car mechanics.

24 The other thing which I think in some respects is an
25 incredible win is that, within that number, 10 per cent

1 of them are women. It was something that really struck
2 me when I first went to the college and you will see it
3 in the picture. There is an audience of young people
4 I was talking to and it was a sea of male faces, which
5 you know, is fine in itself and was just the culture and
6 the background, but I commented on it at the time and
7 I'm delighted to say that they actually have now got
8 courses for women in both textiles and in computer
9 software, and around 50 of those individuals on that
10 programme and now in jobs are women, which I think is --
11 when you think of where we came from -- a really great
12 step forward.

13 The other thing with that project, which very much
14 came actually from here in the UK, from a project I was
15 involved in for homeless people in London, run by
16 business and community, who had very kindly agreed to
17 pass over all the expertise and the experience on it --
18 we had a team from Basra come here to London to be
19 briefed -- was that that, actually, it is clearly very,
20 very capable of a national rollout and I discussed that
21 with the Prime Minister Maliki when I met him
22 in August 2008. He was very, very keen on that.

23 We got the Ministry of Labour and Social Affairs
24 involved in it. DFID actually were hugely supportive of
25 it, offered to fund it but, in fact, we thought it would

1 be really important to get the Iraqi ministry involved,
2 so that it would continue afterwards.

3 That's actually happened and we are now very hopeful
4 that it will get rolled out in other parts of Iraq.

5 There is absolutely no reason at all why it couldn't be.

6 SIR RODERIC LYNE: It is still fairly early days, but is
7 there any survey evidence that shows how many of the
8 trainees were able to remain in sustainable and
9 sustained employment in real jobs after their training?

10 MICHAEL WAREING: Not in terms of the Iraq project, because
11 they are still in the job placement phase, but actually,
12 the programme, which, as I said I was very involved with
13 in London, with business in the community and business
14 action on homelessness, has measured how these jobs tend
15 to stick, and I know that's comparing London to Basra,
16 so you may say, "Well, you know, that's not really
17 relevant". But, for what it is worth, the London
18 programme shows a very high level of, first of all,
19 people being given permanent jobs after the work
20 placements and, secondly, of them still being in work --
21 I think, over something like 65 per cent on the BITC (?)
22 scheme are still in work two years later, which is
23 great.

24 The other thing which I have not mentioned, which
25 was important, was that, as all the international inward

1 investors got engaged on contracts, were beginning to
2 think, "Okay, we've won the contract, how do we now
3 really engage with the local community on the ground?"
4 that they were very, very interested and supportive of
5 actually joining this scheme and providing job
6 placements themselves, because it was a very easy thing
7 for them to do.

8 So although that, during my time, hadn't really
9 caught on, it was very clear that that was another
10 really big opportunity and I'm told that is now still
11 very much the case.

12 I think it is just a very good lesson in terms of
13 how you can take something and actually build out from
14 it, bringing together the local business community, but
15 also international investors, to really make
16 a difference for the people on the ground, rather than
17 it being sort of a big UK PLC coming in and, you know,
18 developing it for their own benefit, bringing in expats
19 and sort of doing it around the local country, as
20 opposed to really with them and really benefiting them.

21 SIR RODERIC LYNE: Thank you.

22 THE CHAIRMAN: Let's take a short break now for about ten
23 minutes and then come back.

24 (10.30 am)

25 (Short break)

1 (10.40 am)

2 THE CHAIRMAN: It is Sir Lawrence Freedman's turn.

3 SIR LAWRENCE FREEDMAN: Thank you. You have mentioned that
4 you met Prime Minister Maliki in August 2008 and his
5 views on the youth scheme.

6 Was this the first time you had met him? Had you
7 met him before that?

8 MICHAEL WAREING: Yes, my early visits were quite dictated
9 by the weather, unfortunately, so the sandstorm season
10 was very much in full swing when I was there in February
11 and again in March 2008. I was actually due to have
12 a meeting on my first trip with both General Petraeus
13 and with Prime Minister Maliki but, unfortunately, they
14 couldn't actually fly to get me down there. So they
15 tried repeatedly -- actually, General Petraeus sent his
16 own jet down for me twice, and we were out on the
17 tarmac, could hear it overhead, but they basically
18 couldn't land.

19 So because of all of that, August 2008 was the first
20 time that I met Prime Minister Maliki.

21 SIR LAWRENCE FREEDMAN: Did he, in general, share your views
22 on the priorities for economic development and
23 investment in the South?

24 MICHAEL WAREING: I think yes, and it is important to say --
25 and forgive me, I should have said at the beginning --

1 that I think perhaps sort of slightly uniquely, the
2 appointment was very much portrayed as a joint
3 appointment. So Prime Minister Maliki signed off on the
4 appointment as well. It was very deliberately announced
5 by him and Deputy Prime Minister Barham Saleh with
6 Douglas Alexander, in Basra in, I think, November 2007.

7 So he very much had his name on it right from the
8 beginning, which was obviously very important from the
9 Iraqi side.

10 Meetings with Prime Minister Maliki were
11 challenging, in that he didn't speak really any English,
12 so everything was through an interpreter. He and
13 I would sit next to each other, but I would have
14 Christopher Prentice next to me and then DFID
15 representatives. He would always have Cabinet Ministers
16 and advisers next to him.

17 So you had a limited period of time. You had to
18 prioritise the agenda, so it wasn't a sort of a chat; it
19 was very specific.

20 The other difficulty was that he would then very
21 often turn to his ministers and have a dialogue with
22 them in Arabic, which the interpreter would not
23 interpret for me. Fortunately, Christopher spoke
24 Arabic, so every now and again could prod me and say "By
25 the way, they are saying that what you have just told

1 him isn't right", et cetera, which happens. So the
2 whole dynamics of the meeting were -- it was fine and he
3 was very friendly and very supportive, but it was
4 difficult.

5 So we didn't have chats about, you know, macro
6 issues; it tended to be very much specific things
7 I wanted to tell him about specific things where
8 I wanted to try to get his support for initiatives.

9 SIR LAWRENCE FREEDMAN: In general, how did you find the
10 sort of central government/local government dynamics?

11 MICHAEL WAREING: Say it again?

12 SIR LAWRENCE FREEDMAN: The central government/local
13 government dynamics, the Baghdad/Basra dynamic working
14 and, had this changed after Charge of the Knights?

15 MICHAEL WAREING: There was always a difficulty and
16 a tension between Basra and Baghdad, and that pervaded
17 right the way through. As I think you have discussed in
18 other sessions, that was actually complicated further by
19 the relationship between Prime Minister Maliki and
20 Governor Wa'ili in Basra. There is no question that,
21 actually, that relationship improved enormously during
22 the time that I was involved, to the extent that they,
23 you know, basically started to work with each other, or
24 their offices did.

25 So that improved a lot, but there were always issues

1 and there are always difficulties and in some ways this
2 was not unique to Iraq, it was classic, you know,
3 capital city/second city stuff.

4 One of the other big difficulties was, of course,
5 that Basra had, to some extent, everything. They had
6 pretty well all the oil wealth, they were the industrial
7 city, they had the only access to the Gulf. So of the
8 five ports in Iraq, all five of them were in Basra
9 province. So it sort of felt, on the one hand, that
10 Basra was very blessed, and that was both a positive and
11 a negative, both from the Baghdad point of view and the
12 Basra point of view. So a lot of frustrations in Basra
13 that they didn't have their due share of -- whether it
14 was the national spending cake or other things and, at
15 the same time, suspicions within Baghdad that they
16 didn't want Basra to, you know, become too independent
17 and maybe even too successful.

18 So it was always a difficult balance and that's why,
19 you know, whenever I was able to, and actually after
20 those first couple of visits, I think I'm right in
21 saying every visit I did, I always covered Baghdad as
22 well as Basra, because it was really an essential part
23 of making anything happen.

24 SIR LAWRENCE FREEDMAN: What difference did it make when the
25 provincial government changed after the December 2008

1 elections?

2 MICHAEL WAREING: It made one really key difference, but
3 actually in many ways it was very helpful. We were
4 already beginning to plan how we could transition a lot
5 of these efforts to the Iraqis and that was, you know,
6 the intention for some time. But we weren't really
7 clear, until maybe late 2008, on timescales for just how
8 that could or would be done.

9 There was a significant change in the provincial
10 elections in January 2009 in terms of people round the
11 tables. A very significant change of individuals. That
12 obviously made life very complicated in terms of
13 relationships with the previous administration, compared
14 to the new administration.

15 In particular, my co-chairman, who, as I mentioned
16 was the Chairman of the Finance Committee of the
17 Provincial Council, was not re-elected. He was
18 considered to be close to Governor Wa'ili, which
19 previously was a big advantage, became a big challenge
20 and, as a consequence of that, actually the way in which
21 we were able to transition our efforts and my role, the
22 role of the Development Commission, was in fact quite
23 helped by the new political grouping.

24 Although the elections were in January, in a very
25 Iraqi way it didn't really sort of get going and become

1 clear until around the time of my visit in May 2009,
2 when I met the new Governor and the new Chairman of the
3 Provincial Council and they were actually, you know,
4 absolutely ready for a change in the approach and
5 a transition of roles.

6 We had already, with a huge amount of support and
7 input from DFID, got both the National Investment
8 Commission and the Basra Investment Commission set up
9 and working pretty effectively.

10 They had, by that time, 50 employees, based in an
11 office building in Basra and, to some extent, we had
12 already transitioned quite a lot of the work that was
13 being done -- that was doing done by DFID in supporting
14 investors. UKTI were on the ground and were operating
15 in Basra and Baghdad as well, and so it was really
16 a great opportunity, on the back of that change in the
17 Council, to shift more of the responsibility over to
18 them.

19 SIR LAWRENCE FREEDMAN: Did you get a sense of developing
20 capacity amongst the Iraqis themselves to take these --
21 to develop their institutions, business, government,
22 economic, by the Basra Development Commission to take
23 forward economic development themselves? Did you feel
24 that ...?

25 MICHAEL WAREING: I mentioned at the beginning that there

1 was this big, to some extent, difference of approach,
2 difference of attitude between the military and DFID, in
3 terms of, you know, building stuff, doing stuff,
4 capacity building.

5 I think, as we came through 2008 and into 2009, and
6 particularly were starting to look very seriously at how
7 would this continue, how would this work, you know, when
8 we were no longer there, the importance of the capacity
9 building really hugely became to be very apparent.

10 I mentioned before that there was a very strong
11 convergence of those two views before I finished and
12 that that was very, very clear.

13 So you know, you really realised, and with
14 hindsight, you know, even more, that it is fine to go in
15 and do these things and get things working, but really,
16 if you are ever going to be successful at handing them
17 over, you really have to be in a situation where the
18 central government and the provincial government are
19 capable of actually running themselves, of doing things.

20 I think it is fair to say that, not only did they
21 have all of the challenges that I know you have already
22 talked about, you know, post de-Ba'athification and all
23 of that, but also two other things: firstly, some of
24 these projects and things we were talking about, I mean,
25 were really very, very big projects. They would have

1 been considered to have been big projects here in the
2 UK, with, you know, maybe difficult political decisions
3 around them, and so, to some extent, you know, one
4 shouldn't underestimate that in terms of the politics of
5 that, as well as the difficulty of the decision-making.

6 The other thing was, as I mentioned, they just were
7 not used to dealing with a private sector. So even
8 fundamental things that we would take as being sort of
9 obvious and normal, like running a tendering process,
10 they were not used to doing that. Everything was done
11 through state-owned enterprises who were just given the
12 money and told to do it.

13 So the role of the Provincial Council and the role
14 of the central government and their ability to really
15 run and drive these things got to be absolutely critical
16 in terms of being able to successfully transition all of
17 these efforts.

18 SIR LAWRENCE FREEDMAN: I mean the other things that people
19 come to stress on with these countries is a legislative
20 framework and I wondered if you could comment on that,
21 particularly the whole question of the hydrocarbons law.
22 Why is it important and why has it been so difficult?

23 MICHAEL WAREING: Yes, hydrocarbons law was specifically to
24 agree how the funds flowing from oil contracts awarded
25 to external investors would be dealt with, would be

1 shared up. On the one hand, quite complicated; on the
2 other, very important for Iraq as a country.

3 Equally, hugely politically sensitive in terms of
4 how that was seen to be done.

5 So, you know, in any environment in any oil-rich
6 country, very difficult to do, and indeed so it proved.

7 So, you know, all the time that I was involved, you
8 know, that was something that was constantly in the
9 background, was constantly, "Well, we hope that maybe
10 next week, next month, it will get fixed", and to
11 a great extent it didn't.

12 Interestingly, I mentioned the Shell gas -- flared
13 gas contract. This was a contract to take all of the
14 gas that was being flared as a side effect of oil
15 production, literally just burnt into the atmosphere,
16 capture it, and either put it into a grid or -- and/or
17 into a liquefied gas plant. So you would have thought
18 pretty compelling. Something like 10 per cent of Iraq's
19 energy consumption was being burned into the atmosphere
20 in 2007. It still is, as we sit here today, and not
21 only is that obviously very wasteful, but there are
22 environmental issues, et cetera, and, you know, at times
23 when I flew in at night to Basra, the sky was alight
24 with all of this flaring.

25 Interestingly, the point that I was going to make

1 was that that was not affected by the hydrocarbon law.
2 So the hydrocarbon law didn't actually affect
3 by-products, if you like, of oil production, which
4 included the flared gas.

5 Notwithstanding that, we were in the position, as
6 I mentioned, where -- I believe on day one, one of the
7 very earliest meetings I had in Oman (or Amman?) in November
2007

8 was with Shell. You know, they were wanting to do that
9 contract then. It was announced that they had won the
10 contract in September 2008. They were due to get all
11 the technical stuff done by summer 2009 and the last
12 brief I saw on it, just a few days ago, it still hasn't
13 been finally signed, but it is, I think, genuinely very,
14 very close.

15 So I think the macro point is, yes, the legal
16 environment was difficult, same as, you know, many other
17 things, but really, to get the job done, you had to find
18 your way through it. So if we had had a sort of perfect
19 UK/western equivalent of legislation, hydrocarbon law,
20 everything else, that would have been helpful, but it
21 wouldn't necessarily have changed very much just in
22 terms of the sheer difficulty of getting things done, of
23 getting government decisions through, of getting tenders
24 awarded and getting through the politics.

25 So it was there, it was sort of important, but,

1 equally, at the same time it wasn't important.

2 SIR LAWRENCE FREEDMAN: These are quite profound

3 disincentives to companies, if they think --

4 MICHAEL WAREING: Sorry? Forgive me.

5 SIR LAWRENCE FREEDMAN: These are quite profound

6 disincentives to companies, if they think everything is

7 going to take forever, that you are not sure of the

8 legal framework, leaving aside all of the security

9 issues as well.

10 MICHAEL WAREING: Yes, and, you know, even at the time of

11 the oil contracts being bid for, you know -- as you'll

12 know, BP won the Ramallah field, which is a huge field.

13 Even at that time, there was a lot of discussion in Iraq

14 as to the legality of that bid process and whether or

15 not the Cabinet had the authority to do it without the

16 Supreme Council agreeing and, you know, in a very Middle

17 Eastern way, if you like, a very Iraqi way, these things

18 just sort of were very complicated and very difficult.

19 So the legal framework was relevant, but it didn't

20 feel like it was having a big bearing on what we were

21 doing on the ground.

22 THE CHAIRMAN: Time is pressing on us now, so I think we had

23 better move on. Roderic?

24 SIR RODERIC LYNE: You stressed earlier that the proper way

25 to compare Iraq is to look at other hydrocarbon emerging

1 economies with difficult environments but, even on that
2 basis, the published tables don't show Iraq in a good
3 light at all. The World Bank, doing the business report
4 of 2010, put Iraq at 153 out of 183. There are just
5 four specific issues that contribute to that environment
6 I would like to ask you about: trading across borders,
7 where Iraq came in at 180 out of 183; access to credit,
8 where it was in the 167th place; corruption, where
9 Transparency International puts Iraq right down the
10 bottom, 176 out of their 180 countries; and then
11 reliable power, which doesn't feature in these tables,
12 but is a very important point for business.

13 If you could just comment on whether these
14 perceptions are accurate and what you were able to do to
15 help the Iraqis to address these sorts of issues? A big
16 question seeking a fairly short answer.

17 MICHAEL WAREING: Right. Yes, they were there and there
18 were challenges, but in many ways it felt like all of
19 these challenges were really there to be surmounted in
20 terms of getting the things done that we were trying to
21 do on the ground, as opposed to fixing the entire
22 Iraqi Government machine, legislative position,
23 et cetera.

24 I think my earlier point on, as you say, what do you
25 compare Iraq to, was the really key thing. So, yes, you

1 know, I used to get lots of questions on corruption and
2 on a number of the other things that you mentioned. You
3 know, yes, there were big issues on clean water, on
4 sewage, on power, but, you know, for those of us, as
5 I say, that have travelled round many other developing
6 countries in the world, there are issues on clean water,
7 on sewage, on power, you know, including some of the
8 most successful and fast-growing economies in the world
9 today.

10 So the other side of that, of course, perversely,
11 was, if you are a construction company or you are an
12 electricity company or you are an infrastructure
13 planning company, actually this, you know, is a massive
14 opportunity for you because, if there is the will and
15 the government money around to fix the water system, to
16 fix the electric grid, et cetera, you know, that means
17 a massive amount of contracts and a massive amount of
18 work.

19 So the perversity on the infrastructure was that
20 actually, whilst it was a challenge, it was also a huge
21 opportunity, not only for international companies, but
22 also for the local companies, including the small
23 businesses that we talked about before.

24 I sent you a report with lots of pictures in it from
25 the Provincial Council on their development side and,

1 really, the point of it was not to give you lots of
2 numbers and things, it was to show you some pictures of
3 projects, many of which I actually saw on the ground in
4 Basra and, within that report, there are tables with who
5 the company was that it was awarded to and all of them
6 were either pretty well -- either local companies or
7 Middle Eastern companies.

8 So although there were a lot of challenges with
9 these issues, actually there was a lot of development
10 and employment and benefit to the local economy in
11 fixing them.

12 So it was sort of ironic that you can look at it
13 from both points of view.

14 Corruption, to be honest, I never personally really
15 came across as a big issue. I think, as more money
16 flowed through the economy, to some extent inevitably
17 corruption was raised more of an issue, just simply
18 because there was more money around. But other than
19 that, it didn't really feel that it had a material
20 bearing on what we were trying to do.

21 SIR RODERIC LYNE: Thank you.

22 THE CHAIRMAN: Thanks. Sir Lawrence?

23 SIR LAWRENCE FREEDMAN: Again briefly, but it is
24 interesting, the extent to which you -- an effort was
25 put into encouraging UK investors to get into Iraq and

1 to visit Iraq. What difference do you think all this
2 effort made in the end, in terms of actually getting
3 real investment into the country?

4 MICHAEL WAREING: I think it made -- it made a lot of
5 differences. I think some of the -- it built over
6 a period of time. The earlier conferences were very
7 successful. The London conference in April 2009 was,
8 I think, a bit of a watershed, in that we had not only
9 over 250 companies there, including American, European,
10 many others, but we had 170 Iraqis there, including
11 Prime Minister Maliki, Deputy Prime Minister
12 Barham Saleh and, effectively, the whole of their
13 Cabinet, and so a huge amount of business was done at
14 that and a lot of the companies that we were involved
15 with very specifically at the time are now working
16 there, have won contracts.

17 G4S, for example, the security company, actually won
18 a contract and is today operating all of the security in
19 Baghdad Airport. They have got 900 people on the ground
20 in Baghdad Airport, running all the security, and they
21 are just bidding for Basra.

22 I mentioned BP with the Ramallah field, Shell with
23 the flared gas contract. There are actually a lot of
24 other companies that are now involved. The
25 Lord Mandelson visit that we did in April 2009 again,

1 there were 23 companies that came with us on that visit.
2 Of them, about half were already actually working in
3 Iraq and wanted more, and it was very striking just the
4 variety of the companies and the variety of the
5 industries that were there, including financial
6 services, but also quite a number of architects, QSs,
7 design people, who saw, you know, what was and still is
8 an enormous opportunity, just simply because there is so
9 much to be done.

10 SIR LAWRENCE FREEDMAN: You are obviously following it still
11 pretty closely. What sense do you get -- and obviously
12 these will be rather rough numbers -- of the investment
13 deals, transpiring from the visits that you encouraged,
14 materialising in active projects and jobs for Iraqis?

15 MICHAEL WAREING: I think the biggest -- if you take the
16 entire time of my involvement, the biggest single
17 difficulty and the biggest single challenge and the
18 biggest single frustration was just simply getting
19 things done and agreed, particularly through government
20 circles and particularly in terms of tenders for
21 contracts. Where there was a clear need, clear choice
22 of providers and just simply a decision to be made and
23 some of those decisions took a very, very long period of
24 time.

25 Some of the tenders we were able to get done and get

1 through. I think, when the National Investment
2 Commission and the Basra Investment Commission, with all
3 the help and effort from DFID finally got going and got
4 up to speed, that made a big improvement because
5 actually this was an Iraqi body approving licences,
6 approving projects, not us actually being seen to push
7 them in any way. So that helps enormously but, you
8 know, I'm sure there is still quite a bit of frustration
9 around, I'm sure there are still a lot of tenders out
10 there waiting to be done, and it will remain
11 challenging.

12 But, you know, the good news was we were able to get
13 quite a few of them through, some quite small, so they
14 are not very famous or in the press but they are still
15 important.

16 Then the other big thing was we were able to do
17 a number of things that really helped the local economy,
18 which, again, as we said at the beginning, it might not
19 have been big oil, but actually it helped local
20 employment, and that was very, very important. So
21 frustrations on that side, but we did actually manage to
22 get quite a number of contracts done.

23 SIR LAWRENCE FREEDMAN: Okay, thank you.

24 THE CHAIRMAN: Last question, I think.

25 SIR RODERIC LYNE: Yes, I have one more rather broad

1 question. When you completed your mission a year ago,
2 at the same time the troops were withdrawing, how far
3 did you feel that you had been able to achieve the
4 priorities that you had set out with at the beginning,
5 how far were the results of the work which you and
6 others had been doing in this area sustainable and could
7 be part of a more successful future for southern Iraq,
8 and how important did you think it was to maintain
9 a civilian presence of the British Government on the
10 ground in Basra after the withdrawal of our military
11 presence?

12 MICHAEL WAREING: I think, as I said earlier, it was one of
13 those things where you were inevitably left with some
14 frustrations that some things that seemed important back
15 in spring 2007 -- 2008, sorry -- didn't get done, that
16 you know, there were some projects where we basically
17 had to just accept that it was going to be more and more
18 difficult than we expected.

19 Setting up a Basra Development Fund, for example,
20 was a good example of that, where there was a clear
21 need, the money was there from DFID. It seemed
22 blindingly obvious that it should be done but, actually,
23 the truth is we didn't get it done.

24 We made progress, it was agreed that an institution
25 would be set up, but within the timescale I was there it

1 wasn't done.

2 I think, you know, to some extent we had to be very
3 flexible in terms of not getting too tied to certain
4 projects, given how difficult the situation was on the
5 ground, particularly in political circles, to get some
6 things across the line than others.

7 I think the sort of the three really big ones were
8 the youth employment programme we have discussed, the
9 airport at Basra, which was a really key opportunity and
10 where we made enormous progress, and An Qasr, the port.

11 The real turning point on the airport and An Qasr
12 was when General Andy Salmon and his team were deployed
13 in August 2008 in a security environment that had
14 changed a lot from when Barney White-Spunner was there
15 and he actually deployed quite a number of his people to
16 help work on those projects. So Captain John Gladstone
17 on the airport, who was an RAF senior person in a team
18 and Captain Tom Key(?), on An Qasr, who was a navy guy.
19 So they understood airports, they understood ports.

20 That made a huge difference in terms of working with
21 the Iraqi local leadership, to really help move it
22 forward and, you know, I think we made really material
23 progress at the airport, and at An Qasr, by bringing
24 together the military involvement and the DFID
25 involvement and the local Iraqis at the same time.

1 The real key learning point, I think, is that, if
2 you -- if you want to do these things, it actually slows
3 you down a lot, working with the local people. So
4 actually, rather than doing these things to them,
5 actually doing them with them slows you down a lot. But
6 the truth is that, if it is going to sustain, and if it
7 is going to carry on after you've gone, you have to do
8 it with them.

9 So there is a lot of frustrations around that, but
10 I think the reason why a lot of these things have
11 carried on, like the youth employment programme, is
12 because we put a massive amount of effort involving
13 a lot of frustration and delay into getting the relevant
14 ministry in Iraq to really get on side and support it:
15 to the extent that actually they are now running it and
16 have it as one of their flagship programmes.

17 It would have been very easy to have pushed it on
18 through and to have done it, but the truth is, when we
19 left, it probably would have just fallen through the
20 cracks and wouldn't have sustained.

21 I think for me that's one of the key learnings, and
22 it is difficult and frustrating and it slows you down,
23 but actually, to be really sustainable, you have to do
24 these things with the local people and I think that's
25 why the sort of DFID approach, if you like, in terms of

1 capacity building, when we got to the end of the
2 journey, became so clear that that was a really critical
3 part of success, to a much greater extent than it maybe
4 felt at the beginning of the journey.

5 SIR RODERIC LYNE: After all this investment of British
6 effort over six years, is there a case for making sure
7 that we keep the civilian presence there Basra?

8 MICHAEL WAREING: Sorry, forgive me, you are asking that?

9 Yes, I think it was very important and appropriate
10 to have UKTI engaged both in Baghdad and in Basra and
11 I was very pleased that they chose to have the two and
12 for us to continue to have a consul in Basra.

13 There is no question that -- and I saw this
14 throughout my time -- that there was a huge amount of
15 empathy from the local people towards the British and
16 everybody pretty well that I met, including
17 Prime Minister Maliki was very, very keen that British
18 business was there in a material way in Iraq and was
19 successful in Iraq, and so, continuing an engagement,
20 which was a very different engagement in terms of UKTI
21 and the consulate, together with, obviously, the embassy
22 in Baghdad, I think was really important.

23 THE CHAIRMAN: Thank you. I would like to invite any
24 further or general reflections in a moment but just one
25 other question first.

1 You have talked about the continuing potential in
2 a role like the one you occupied. Is it also a role
3 that is transferable, do you reckon, to other similar
4 post-conflict situations and earlier than later?
5 Because somewhat earlier this morning, you said it is
6 possible to a lot of the planning even if you can't do
7 the execution at the time.

8 MICHAEL WAREING: Yes, I think it is transferable. Iraq was
9 a very specific place with a very specific set of
10 issues, but I think, you know, speaking very broadly
11 about a post-conflict country, I think there may be
12 differences in terms of what one can or can't do, but
13 I think it would be very surprising to conclude that
14 nothing could be done.

15 One of the interesting things we have touched on
16 a number of times is this difference between major
17 contracts that are headline-grabbing that seem to be
18 a sort of huge success criteria and, actually, in many
19 respects, modest, local, on the ground, small things,
20 and actually, I think in many ways it is the latter that
21 really changes how things feel for the local people.

22 So I think it is transferable. The planning cycle
23 is difficult because obviously there was a very, very
24 specific set of events, particularly security during the
25 time I was there. It is difficult to say "Well, what if

1 Charge of the Knights hadn't happened and that had
2 continued?" but I think having the plans in place as
3 much as you can, is important.

4 THE CHAIRMAN: Thank you. One other thing. You mentioned
5 the special contribution that was made both to the
6 airport project and to An Qasr by very specific
7 expertise, in both cases, from the military capability.
8 It is not the military aspect, is it, it is getting that
9 expertise in earlier, to give a grip to the project
10 leadership?

11 MICHAEL WAREING: Yes, to some extent I think there maybe
12 was -- although, of course, you know, I saw three very
13 different phases under three different Commanding
14 Generals of fighting a war going through to, to some
15 extent, withdrawal and helping reconstruction.

16 I think the one thing which is without doubt is that
17 the skills that they brought to it were very specific
18 and very important and really built on a lot of the work
19 that was already happening with DFID and others, but
20 particularly with DFID and the PRT. It added a whole
21 accelerator on top of that. So I think it was very,
22 very important, and certainly the way that it
23 accelerated progress in those two very specific
24 projects, together with the sort of bringing all the
25 stakeholders together that General John Cooper had done

1 in Baghdad, which was also important, you know,
2 unquestionably did have a material effect.

3 THE CHAIRMAN: Thank you. Further general reflections?

4 MICHAEL WAREING: Well, I think we have covered a lot of the
5 points. I mean, I would maybe just say, as perhaps has
6 been evident, that it was, you know, a massive effort
7 and it was, I think, a massive effort right the way
8 across each of the government departments, without
9 exception, that I was working with, but particularly
10 DFID, the MoD and the FCO, and latterly with UKTI and
11 Simon MacDonald and the Cabinet Office and, you know,
12 whilst it might always, you know, not have been
13 absolutely perfect and whilst, you know, we didn't
14 always necessarily do the right things in the right
15 order, I think there was an incredible sort of goodwill
16 and desire from all of those people to really try to do
17 the right thing and try to make it happen.

18 Certainly, the amount of support that I had
19 personally from, you know, the Prime Minister himself,
20 right the way down through the Secretaries of State and
21 others, was quite extraordinary in many ways, and you
22 know, certainly made the thing much easier, and I was
23 very fortunate, I guess, with my role at KPMG in terms
24 of being used to working with sort of high-performance
25 people, many high-performance teams, but I was really

1 very impressed with the people I worked with and the
2 dedication.

3 You know, for me, it was very easy coming in and
4 going out two or three days at a time. For many of the
5 people I worked with, they were there for months or
6 years in these conditions, and it was challenging, but
7 their dedication was really very, very impressive.

8 THE CHAIRMAN: Thank you very much. I would like just to
9 ask a short postscript because your appointment stemmed
10 very much from the Prime Minister, albeit with
11 Prime Minister Maliki's assent. So there was a very
12 strong drive right from the top of the
13 British Government system.

14 That was transmitted, as I think you have been
15 saying, effectively through the government machine and
16 across departments.

17 MICHAEL WAREING: Yes, and I think a lot of people find it
18 difficult to -- at the time, to work out quite who
19 I was. You know, I was -- one of the key things in many
20 ways for the role was I wasn't a member of the
21 government, I wasn't a member of the military.
22 I wasn't -- it wasn't a full time job that I was being
23 paid for and there was a certain curiosity, almost, in
24 some respects, both on the Iraqi side and on the
25 Whitehall side in terms of that.

1 But I think that was incredibly helpful and
2 important, because it basically meant that I could go
3 absolutely across government departments and absolutely
4 at Secretary of State level and talk about things that,
5 if I had had a department brief, or if even I had been
6 a minister, you know, there would have been an angle to
7 it and actually I had no angle. I was completely
8 independent. I was only really focused on getting the
9 job done and, to some extent, you know, I was, within
10 being reasonable and polite, able to pretty much say, as
11 I felt, relevant to the circumstances.

12 So I think that actually had an importance to it,
13 and certainly having the Prime Minister's personal
14 endorsement was enormously helpful, particularly at the
15 Iraqi end, where they were really quite hierarchical,
16 particularly within the political machines. So being
17 badged as the Prime Minister's Envoy gave you access
18 that otherwise you just wouldn't get.

19 THE CHAIRMAN: Thank you very much to our witness, to
20 Michael Wareing, it has been a very helpful and
21 informative session and we are grateful. I'll close
22 this session now and we will return at about 11.30 to
23 hear from the Rt Hon Adam Ingram as Minister of State
24 for the Armed Forces from 2001 to 2007. Thank you.

25 (11.20 am)

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(Short break)

