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Friday, 16 July 2010

(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 the<sup>1</sup> -- 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

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<sup>1</sup> Baroness Prashar meant to say "withdrawal of UK troops"

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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 cent<sup>2</sup> -- 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,

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

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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 flared gas project and some  
6 other things, because that was important and, in fact,  
7 there would be a big benefit from 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 already 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 rein 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       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 English 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 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 Umm 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  
23 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 but 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, 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       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,  
18 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, 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 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 that 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 they 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, 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 in the 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 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, 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, that 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,  
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, 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<sup>3</sup>

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<sup>3</sup> Sir Lawrence Freedman said "December 2008". In fact the Provincial Elections were held in January 2009, as corrected by the witness in his response to the question.

FINAL

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,  
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 being 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, 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, maybe difficult political decisions  
3       around them, and so, to some extent, 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, the 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, 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 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, 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, 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, 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, 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 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 Umm Qasr, the port.

11              The real turning point on the airport and Umm 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 and a team  
18      and Captain Tom Quaye, on Umm 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 helped move it  
22      forward and, I think we made really material  
23      progress at the airport, and at Umm 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:

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, 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 Umm 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, 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,  
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  
12      whilst it might always not have been  
13      absolutely perfect and whilst 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 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 their  
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, 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)

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