

SECTION 10.4

CONCLUSIONS: RECONSTRUCTION

Contents

Introduction and key findings	528
Pre-invasion planning and preparation	529
Occupation	530
Leadership of the UK's reconstruction effort	531
Failure to commit to ORHA	532
Returning to "a war footing"	534
The focus on the South	535
Transition	538
Preparation for withdrawal	540
A new focus on economic development in Basra	542
Civilian-military co-ordination on the ground	543
Reconstruction, strategy and planning	544
Energy security, oil and oil revenues	547
Support for UK business	549
The Government's approach to post-conflict reconstruction	549
The impact of the UK's reconstruction effort	551
Key economic and social indicators	553
Lessons	554

Introduction and key findings

1. This Section addresses analysis and findings in relation to the evidence set out in Sections 10.1, 10.2 and 10.3 on:

- humanitarian assistance;
- the development and implementation of UK reconstruction policy, strategy and plans;
- the UK's engagement with the US and successive Iraqi Governments on reconstruction;
- the UK's policy on Iraq's oil and oil revenues;
- the Government's support for UK businesses in securing reconstruction contracts;
- debt relief; and
- the reform of the UK's approach to post-conflict reconstruction and stabilisation.

2. This Section does not address:

- planning and preparing to provide humanitarian assistance and reconstruction, which is addressed in Sections 6.4 and 6.5;
- the financial and human resources available for post-conflict reconstruction, addressed in Sections 13 and 15 respectively;
- de-Ba'athification and Security Sector Reform, addressed in Sections 11 and 12 respectively; and
- the development of UK strategy and deployment plans, addressed in Section 9.

3. During the period covered by the Inquiry, the Government used a number of different terms to describe post-conflict activity in Iraq, including "reconstruction". It did not generally define those terms. The Inquiry uses the term "reconstruction" in line with the Government's common usage:

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

Key findings

- The UK failed to plan or prepare for the major reconstruction programme required in Iraq.
- Reconstruction was the third pillar in a succession of UK strategies for Iraq. The Government never resolved how reconstruction would support broader UK objectives.
- Following the resignation of Ms Clare Short, the International Development Secretary, and the adoption of UN Security Council resolution 1483 in May 2003, DFID assumed leadership of the UK's reconstruction effort in Iraq. DFID would subsequently define, within the framework established by the Government, the scope and nature of that effort.
- At key points, DFID should have considered strategic questions about the scale, focus and purpose of the UK's reconstruction effort in Iraq.
- The US-led Coalition Provisional Authority excluded the UK from discussions on oil policy and on disbursements from the Development Fund for Iraq.
- Many of the failures which affected pre-invasion planning and preparation persisted throughout the post-conflict period. They included poor inter-departmental co-ordination, inadequate civilian-military co-operation and a failure to use resources coherently.
- An unstable and insecure environment made it increasingly difficult to make progress on reconstruction. Although staff and contractors developed innovative ways to deliver projects and manage risks, the constraints were never overcome. Witnesses to the Inquiry identified some successes, in particular in building the capacity of central Iraqi Government institutions and the provincial government in Basra.
- Lessons learned through successive reviews of the UK approach to post-conflict reconstruction and stabilisation, in Iraq and elsewhere, were not applied in Iraq.

Pre-invasion planning and preparation

4. When military operations against Iraq began on the night of 19/20 March 2003, the Government had not:

- made contingency preparations for the deployment of more than a handful of UK civilians to Iraq;
- allocated any funding for post-conflict reconstruction;
- drawn up any plans to deliver essential services and reconstruction in the South, in line with the UK's likely obligations as an Occupying Power;
- established mechanisms within Whitehall which could co-ordinate and drive post-conflict reconstruction; or
- allocated responsibility to any department or unit for planning and delivering the UK's contribution to post-conflict reconstruction.

5. Section 6.5 concludes that Ministers, officials and the military continued to assume that the US could act as guarantor of the UK's objectives, including its reconstruction objectives, in Iraq.

6. The Government had established the inter-departmental (FCO/MOD/DFID) Iraq Planning Unit (IPU) on 10 February 2003 to provide "policy guidance on the practical questions" that UK civilian officials and military commanders would face in a post-conflict Iraq.¹ The head of the IPU was a senior member of the Diplomatic Service, who reported to the FCO Director Middle East and North Africa.

7. The creation of the Ad Hoc Group on Iraq (see Section 6.4) in September 2002 and the IPU improved co-ordination across government at official level, but neither body carried sufficient authority to establish a unified planning process across the four principal departments involved – the FCO, the MOD, DFID and the Treasury – or between military and civilian planners.

8. Crucially, with the IPU focused on policy, there remained no department or unit with responsibility for delivering the UK's contribution to the reconstruction effort.

9. After the invasion force had rapidly brought down Saddam Hussein's regime, the UK's six-year engagement in Iraq fell into three broad phases, which the Inquiry has used to provide a simplified framework for describing events:

- **Occupation – March 2003 to June 2004:** during which the UK was formally a joint Occupying Power alongside the US, and Iraq was governed by the US-led Coalition Provisional Authority (CPA);
- **Transition – June 2004 to the end of 2005:** characterised by the increasing power of Iraqi politicians and institutions, and ending with elections and the formation of the Prime Minister Nuri al-Maliki's government; and
- **Preparations for withdrawal – 2006 to 2009:** during which period the UK sought to transfer its remaining responsibilities in Multi-National Division (South-East) (MND(SE)) to Iraqi forces so that it could withdraw its remaining troops.

Occupation

10. Shortly after the beginning of military operations in Iraq, officials advised that the humanitarian assistance capabilities available in Iraq would be inadequate in the event of a protracted conflict, significant damage to infrastructure or large-scale movements of people. The use of chemical and biological weapons could also trigger a humanitarian disaster.

¹ Letter Jay to Turnbull, 17 February 2003, 'Iraq Planning Unit' attaching Paper, [undated], 'Proposed Terms of Reference for the tract [sic] Planning Unit'.

11. In the event, those scenarios did not materialise. The preparations for large-scale humanitarian assistance made by the international community and, in the South, by the UK military were not tested.

12. By the middle of April 2003, DFID was beginning to look beyond humanitarian assistance to recovery and reconstruction.

Leadership of the UK's reconstruction effort

13. When military operations against Iraq began, there was no single Ministerial lead for reconstruction in Iraq. Mr Jack Straw (the Foreign Secretary), Mr Geoff Hoon (the Defence Secretary) and Ms Clare Short (the International Development Secretary) remained jointly responsible for directing post-conflict planning and preparation.

14. Ms Short told DFID officials on 26 March 2003 that Mr Blair had given her responsibility for reconstruction in Iraq.

15. The following day, Sir Michael Jay, FCO Permanent Under Secretary, and Sir Andrew Turnbull, the Cabinet Secretary, agreed that “it was right that the FCO should take the overall Whitehall lead on reconstruction”, including a Cabinet Committee on reconstruction chaired by Mr Straw.² Sir Michael reported his concern that DFID were “still hankering after the leadership of the Iraq reconstruction agenda”.

16. In early April, Mr Blair agreed to the creation of the Ad Hoc Ministerial Group on Iraq Rehabilitation (AHMGIR), chaired by Mr Straw, “to formulate policy for the rehabilitation, reform and development of Iraq”.³ The first meeting took place on 10 April.

17. The Cabinet Office provided secretariat support for the AHMGIR but responsibility for inter-departmental co-ordination remained with the IPU.

18. The creation of the AHMGIR offered the possibility of a more strategic and integrated UK approach to reconstruction, with a single Minister overseeing the development and implementation of reconstruction strategy and planning. But it should have been established earlier, to better support more coherent UK planning and preparations for the post-conflict period.

19. Although the AHMGIR commissioned and agreed a number of strategies and plans, it did not seek to manage them. It did not, for example, scrutinise and challenge departments' support for them, ensure that the structures and resources necessary to deliver them were in place, or require substantive reports on progress and impact.

20. In May 2003, following the resignation of Ms Short and the adoption of resolution 1483, DFID assumed leadership of the UK's reconstruction effort in Iraq and would subsequently define, within the framework established by the AHMGIR and successive

² Minute Jay to Secretary of State [FCO], 27 March 2003, ‘Iraq: Reconstruction: Whitehall Co-ordination’.

³ Letter Turnbull to Straw, 7 April 2003, ‘Iraq: Rehabilitation’.

UK strategies for Iraq, the scope and nature of that effort. There was no formal direction that DFID should take charge.

21. The IPU retained responsibility for all policy issues and for administering UK secondments to the CPA. The FCO retained responsibility for Security Sector Reform (see Section 12).

22. Mr Blair maintained a close interest in the UK's reconstruction effort and the contribution that progress here could make to achieving broader UK objectives. He pressed DFID on a number of occasions in 2003 and 2004 to accelerate the pace of reconstruction and focus its efforts more directly in support of the political process and security. DFID Ministers responded by highlighting work that was already under way and the difficulties of making progress in the face of growing insecurity.

23. By late 2004, Mr Blair's attention was increasingly focused on the political process, security and "Iraqisation".

Failure to commit to ORHA

24. When military operations against Iraq began, the UK had not made a decision on the level and nature of its support for the US-led Office of Reconstruction and Humanitarian Assistance (ORHA), the body responsible for immediate post-conflict administration and reconstruction.

25. The 10 April meeting of the AHMGIR, which Mr Straw chaired and Ms Short attended, agreed that the UK should increase its support for ORHA. That decision reflected an assessment by the IPU that, although ORHA remained "in many ways a sub-optimal organisation", it was also "the only game in town".⁴ Greater UK engagement with ORHA would help ensure that it did not pursue activities which the UK judged not to be legal.

26. The FCO sought volunteers to deploy to ORHA on 22 April. The first arrived in Iraq in early May.

27. Mr Straw visited ORHA on 14 April. He later wrote in his memoir:

"I could not believe the shambles before my eyes. There were around forty people in the room, who, somehow or other, were going to be the nucleus of the government of this large, disputatious and traumatised nation."⁵

28. Ms Short received a report from a DFID official the following day:

"... ORHA is incredibly awful ... There may be things we could do to support it, but it would be a political judgement (and a big political risk)."⁶

⁴ [Paper IPU, 28 March 2003, 'Iraq: Office for Reconstruction and Humanitarian Assistance \(ORHA\)'](#).

⁵ Straw J. *Last Man Standing: Memoirs of a Political Survivor*. Macmillan, 2012.

⁶ Minute Bewes to Secretary of State [DFID], 15 April 2003, [untitled].

- 29.** On 17 April, Mr Blair agreed that the UK should “increase significantly the level of ... political and practical support to ORHA, including the secondment of significant numbers of staff in priority areas”.⁷
- 30.** Notwithstanding the Government’s decision to increase support for ORHA, Ms Short remained cautious about the extent of DFID’s engagement. Her assessment was that ORHA was not the only game in town. In particular, “immediate assistance” was a job for the International Committee of the Red Cross (ICRC) rather than ORHA.⁸ While ORHA was responsible for “paying wages”, other recovery issues would emerge from a formal needs assessment undertaken by the World Bank and the International Monetary Fund (IMF).
- 31.** Ms Short concluded on 23 April that DFID needed “one or two people” within ORHA to act as DFID’s “eyes and ears”. DFID “should not bow to external pressure to put people into ORHA for the sake of it”.
- 32.** Ms Short’s assessment reflected her reluctance to engage in post-conflict activity other than for the immediate humanitarian response to conflict, until it was confirmed that the UN would lead the reconstruction effort.
- 33.** ORHA was, as Ministers and officials had reported, an extremely weak organisation. But it was the organisation responsible for immediate reconstruction, and the scale and urgency of the reconstruction challenge was already apparent. DFID should have supported the Government’s decision to increase support for ORHA. The decision to adopt a unilateral position fed concerns within Whitehall and in Iraq over the lack of DFID engagement.
- 34.** The AHMGIR agreed on 24 April that the UK should offer to play “a leading role” in ORHA(South), provided that ORHA confirmed that the UK would not be required to pay for reconstruction.⁹ The AHMGIR also endorsed the UK military assumption that the post-conflict UK Area of Responsibility (AOR) would comprise four provinces in southern Iraq coterminous with the boundaries of ORHA’s southern region.
- 35.** The AHMGIR did so at a time when there was considerable concern about ORHA’s capabilities and without robust analysis either of the strategic implications for the UK or of the military’s capacity to support the UK’s potential civilian obligations in the region.
- 36.** Ambassador Paul Bremer arrived in Baghdad on 12 May to lead the CPA. The creation of the CPA signalled a change in US policy: instead of a rapid withdrawal, the US was now working on the assumption of a protracted occupation. ORHA was absorbed into the CPA in June.

⁷ [Letter Rycroft to McDonald, 17 April 2003, ‘Iraq: ORHA’.](#)

⁸ Minute Bewes to Miller, 24 April 2003, ‘Iraq: 23 April’.

⁹ Minutes, 24 April 2003, Ad Hoc Group on Iraq Rehabilitation meeting.

Returning to “a war footing”

37. In early summer 2003, there was a chance for the Government to revisit its reconstruction effort to put it on a more sustainable basis.

38. On 12 May, Baroness Amos succeeded Ms Short as International Development Secretary. Baroness Amos’s arrival coincided with reports from Basra that ORHA’s inability to deliver reconstruction might undermine the level of consent enjoyed by UK forces in the South, and hence affect plans for their withdrawal.

39. Baroness Amos immediately signalled DFID’s willingness to do more on reconstruction.

40. On 22 May, the UN Security Council adopted resolution 1483. The resolution formally designated the US and UK as joint Occupying Powers in Iraq. It confirmed that the UN would not – as the Government had at an earlier stage assumed – have lead responsibility for the administration and reconstruction of Iraq. Sir Suma Chakrabarti, DFID Permanent Secretary from 2002 to 2007, told the Inquiry that Ms Short’s resignation and the adoption of the resolution led to a significant shift in DFID’s attitude: “From that point on, we had to try and make ORHA work better whether we liked it or not.”¹⁰

41. Resolution 1483 also created the Development Fund for Iraq (DFI) to hold 95 percent of Iraq’s oil revenues and other Iraqi assets, and imposed joint US/UK responsibility (as Occupying Powers) over disbursements from it. The CPA would use those revenues to fund Iraq’s reconstruction; of the US\$19.4bn spent by the US/CPA on the relief and reconstruction of Iraq during the Occupation, US\$14bn came from the DFI and a further US\$2.4bn from vested and seized Iraqi assets.

42. Section 9.8 concludes that resolution 1483 set the conditions for the CPA’s dominance over post-invasion strategy and policy by handing it control of funding for reconstruction and influence on political development.

UK scrutiny of disbursements from the Development Fund for Iraq

Resolution 1483, which was adopted on 22 May 2003, provided that disbursements from the Development Fund for Iraq (DFI) would be “at the direction of the Authority [the US and UK as Occupying Powers], in consultation with the interim Iraqi administration”. By that time, the US was committed to a protracted Occupation and it was not clear when an interim Iraqi administration would be established.

On 10 June 2003, the CPA issued a regulation that gave Ambassador Paul Bremer, as “Administrator of the CPA”, authority to oversee and control the establishment, administration and use of the DFI and to direct disbursements from the DFI.

¹⁰ Public hearing, 8 December 2009, page 34.

Audits undertaken by the US Special Inspector General for Iraq Reconstruction (SIGIR) found that the CPA failed to enforce adequate management, financial and contractual controls over approximately US\$8.8bn of DFI money, and that there was “no assurance that the funds were used for the purposes mandated by resolution 1483”.¹¹ Ambassador Bremer disagreed with that assessment.

The CPA excluded the UK from decisions on disbursements from the DFI. Sir Jeremy Greenstock, the Prime Minister’s Special Representative on Iraq from September 2003 to March 2004, told the Inquiry: “The UK was not allowed sight of any of the figures on the use of money by the CPA ... London made it quite clear that they didn’t expect me to be responsible for this.”¹²

Section 9.8 addresses the UK’s inability to influence decisions made by the CPA, commensurate with its responsibilities as an Occupying Power.

43. On 3 June, following a visit to Iraq, Mr Blair told Ministers that the Government should return to “a war footing” to avoid “losing the peace in Iraq”.¹³

44. Following the adoption of resolution 1483, with the AHMGIR now established, and with Mr Blair and DFID engaged, there was a chance to set clear and realistic priorities for the UK’s reconstruction effort, within the framework provided by a broader UK strategy for Iraq, and to identify and secure the human and financial resources necessary to manage and deliver that effort.

45. Despite Mr Blair’s recognition of the risk that the UK could lose the peace in Iraq, the Government failed to take that chance. There are no indications that Mr Blair’s direction led to any substantive changes in the UK’s reconstruction effort.

46. From early June 2003, and throughout the summer, there were signs that security in Baghdad and the South was deteriorating. Following the attack on UN staff on 19 August, UN and other international staff withdrew from Iraq.

The focus on the South

47. The Government was aware by early June that the Danish Head of ORHA(South), Ambassador Ole Olsen, might shortly leave Iraq.

48. In June, driven by the Government’s concern over the declining level of consent for the UK military presence in the South, which the Government attributed to CPA(South’s) inability to deliver reconstruction, DFID agreed to provide £15m to support CPA(South) and Quick Impact Projects (QIPs) delivered by the UK Armed Forces. DFID and MOD officials also advised Ministers that the Government needed to “identify a line of

¹¹ Bowen SW Jr. *Hard Lessons: The Iraq Reconstruction Experience*. U.S. Government Printing Office, 2009.

¹² Private hearing, 26 May 2010, pages 50-51.

¹³ [Letter Cannon to McDonald, 3 June 2003, ‘Iraq: Prime Minister’s Meeting’, 3 June’.](#)

funding that will ... cover the costs of being an Occupying Power until other sources are freed up".¹⁴

49. The Inquiry has seen no indications that any work was done to identify an alternative source of funding. The UK's assumption remained that the US/CPA should provide funding for the South.

50. Section 9.8 concludes that, from early July, security was seen in Whitehall as the key concern. A circular analysis began to develop, in which progress on reconstruction required security to be improved, and improved security required the consent generated by reconstruction.

51. Cabinet agreed on 3 July that the UK should make CPA(South) "a model".¹⁵ What that meant, and what resources might be required to realise it, was not specified or recognised as an issue. It was ill-advised to set ambitious objectives without any plan or commitment of resources for meeting them.

52. By 9 July, Sir Michael Jay had agreed with FCO officials that a British official should replace Ambassador Olsen as Head of CPA(South), if he decided to resign.

53. Ministers agreed the following day that the UK should offer to replace Ambassador Olsen with a British official.

54. Although the significant strategic, resource and reputational implications of such a decision had been identified in March and April 2003, there are no indications that those assessments were reviewed, or that any arrangements were to put in place to support a British Head of CPA(South) and, more broadly, the UK's leadership of CPA(South).

55. Sir Hilary Synnott arrived in Basra on 30 July to take up post as Head of CPA(South). Sir Hilary wrote in his memoir that his arrival, along with the British military command of MND(SE), established "some sort of British Fiefdom" in the South, but one which he saw as "still entirely dependent on American resources for its lifeblood".¹⁶

56. Sir Jeremy Greenstock, the Prime Minister's Special Representative on Iraq from September 2003 to March 2004, told the Inquiry that there was a "separation in the American mind between the British area and the rest of Iraq, which was their area".¹⁷ Sir Jeremy added that that separation was reflected in the US resources available for the South: "The Americans said let the Brits look after Basra."¹⁸

¹⁴ Annotated Agenda, 12 June 2003 Ad Hoc Group on Iraq Rehabilitation meeting attaching Paper DFID/MOD, 11 June 2003, 'UK Support to the CPA South Area – Next Steps'.

¹⁵ Cabinet Conclusions, 3 July 2003.

¹⁶ Synnott H. *Bad Days in Basra: My Turbulent Time as Britain's Man in Southern Iraq*. I B Tauris & Co Ltd., 2008.

¹⁷ Public hearing, 15 December 2009, page 94.

¹⁸ Private hearing, 26 May 2010, page 54.

57. In his first report from Basra, sent on 7 August, Sir Hilary wrote that he currently had no secure communication with Baghdad or London, there were no telephone landlines and mobile coverage was patchy.

58. On 10 and 11 August, there were serious riots in Basra. Cabinet Office officials attributed the disturbances to increasing frustration with the Coalition's failure to restore basic services. Ministers agreed that Sir Hilary "should be given such assistance and staff as he deemed necessary to improve the workings of CPA(South)".¹⁹

59. At the end of August, Sir Hilary Synnott requested 37 specialist staff and 20 armoured vehicles for CPA(South). He requested a further 44 staff at the end of October. In his valedictory report in January 2004, Sir Hilary stated that:

"A bid for 37 additional and expert staff ... was endorsed by Ministers immediately ... by early January, 18 of the 37 new staff had still not arrived."²⁰

60. The FCO did not provide adequate practical support to Sir Hilary Synnott as Head of CPA(South).

61. Departments' failure to respond to Ministers' demands for additional civilian personnel in Basra and elsewhere in Iraq is addressed in Section 15.2.

62. The decision to take on the leadership of the CPA(South) had significant implications, lasting well beyond the end of the Occupation. The South would occupy the attention of Ministers and senior officials and absorb the majority of the UK resources available for reconstruction.

63. Sir Michael Jay was aware, in particular through his participation in Mr Blair's 6 March and 17 April meetings, that the decision to provide the Head of CPA(South) would have significant resource implications. He did not ensure that those were addressed.

64. Sir Michael, as FCO Permanent Under Secretary, failed to ensure that the FCO provided the support needed by Sir Hilary Synnott as Head of CPA(South).

65. On 15 November, the Iraqi Governing Council unveiled a timetable for the transfer of power to a transitional Iraqi administration by 30 June 2004, at which point the CPA would be dissolved. The announcement took UK officials and contractors working in the CPA by surprise.

66. The decision to transfer power earlier than had been expected (the CPA's plans had extended for some years) had significant implications for the reconstruction effort. The CPA focused on programmes which could deliver a visible and immediate impact in support of reconciliation and the political transition process, and shelved programmes

¹⁹ Minutes, 28 August 2003, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting.

²⁰ [Telegram 10 Basra to FCO London, 26 January 2004, 'Basra Valedictory'](#).

(such as privatisation) that risked undermining that process. It also sought to increase support for Iraqi government institutions, to prepare them to fulfil their responsibilities for the administration of Iraq (in only seven months' time).

67. In December, DFID approved the first of a series of projects which aimed to build the capacity of key institutions at the centre of the Iraqi Government, including the Prime Minister's Office. The Treasury also provided support to the Iraqi Government on budgeting and financial management.

68. Resolution 1546, which was adopted on 8 June 2004, endorsed the formation of a sovereign Interim Government of Iraq (IGI) which would assume full responsibility for governing Iraq by 30 June 2004. The IGI would have "the primary role" in co-ordinating international assistance, with the support of the UN.²¹

69. The resolution requested Member States, international financial institutions and other organisations to strengthen their efforts to support reconstruction and development.

Transition

70. At the end of June 2004, the CPA formally handed over power to the Interim Iraqi Government (IIG) and the US and UK ceased to be Occupying Powers in Iraq. Mr Hilary Benn, the International Development Secretary, welcomed the fact that "Iraqis were clearly in charge" and that the UK was moving "from a phase of doing things for the Iraqis to supporting them doing it for themselves".²² Despite that, there were concerns among DFID officials that the IIG was ill-prepared to administer Iraq and lead the reconstruction effort.

71. Both the incoming Iraqi Government and the US established new structures to manage and deliver reconstruction in Iraq.

72. The UK's priorities were to maintain the momentum of the political process towards elections in January 2005 and to ensure that the conditions for the drawdown of UK forces (planned to begin in 2005) were achieved.

73. An immediate UK concern was the growing insurgency in Sunni areas. During the autumn, Mr Blair pressed DFID to increase the pace of reconstruction so that Iraqi citizens could see a reconstruction dividend before the elections and to do more in cities across Iraq where the IIG had regained control from insurgents.

74. DFID's response focused on the steps it had already taken to accelerate the pace of reconstruction in the South, in the face of growing insecurity. It did not substantively address Mr Blair's request that it should do more in cities where the IIG had regained control from insurgents.

²¹ UN Security Council resolution 1546 (2004).

²² Minutes, 1 July 2004, Ad Hoc Ministerial Group on Iraq Rehabilitation meeting.

75. Mr Blair’s assessment of the contribution that reconstruction could make to addressing insecurity in Iraq and to achieving wider UK objectives was reasonable. While there were certainly obstacles to increasing DFID’s focus on the areas identified by Mr Blair, including insecurity and the dominant role of the US, DFID should have reviewed its effort in Iraq in the light of the worsening situation on the ground. It did not do so.

76. From this point on, Mr Blair increasingly focused on pressing issues relating to the political process, security and “Iraqisation” (building the ability of Iraqi Security Forces to take the lead on security within Iraq).

77. By the end of 2004, the obstacles to delivering reconstruction in the South were clear.

78. Insecurity remained the most serious obstacle to progress.

79. The UK had been pressing the US to move quickly to establish a reconstruction presence in the South since the transition to the IIG in June 2004. In December, officials confirmed that the US intended to focus on reconstruction projects that had a more immediate and visible impact at the expense of larger, longer-term projects, and was likely to reallocate funding from more to less stable areas of Iraq. That meant less US funding for the South. Mr Chakrabarti reported that:

“As junior partners in the coalition, our ideas are listened to, but our influence over US spending will remain limited. We need to face up to the fact: the South will not be a strategic priority for the US.”²³

80. At the same time, concerns grew over the capacity of the Iraqi Government to lead and manage the reconstruction effort. Faster progress on reconstruction was unlikely without greater Iraqi capacity, and building that capacity could take years. A particular concern for the UK was the weakness of the relationship between Baghdad and Basra. That relationship would become increasingly difficult.

81. The UN and World Bank continued to limit their presence on the ground in Iraq.

82. Reports from Iraq highlighted that progress in delivering essential services, and in particular power, had fallen far below Iraqi expectations.

83. DFID concluded in December 2004 that it would “have to take more of the strain bilaterally in 2005”.²⁴ Planned support for infrastructure in the South would be brought forward.

²³ Minute Chakrabarti and Drummond to Secretary of State [DFID], 13 December 2004, ‘Iraq Visit, 6-8 December’.

²⁴ Minute Chakrabarti and Drummond to Secretary of State [DFID], 13 December 2004, ‘Iraq Visit, 6-8 December’.

UK funding for reconstruction

DFID provided £297m for reconstruction and a further £209m for humanitarian assistance in Iraq between 2002/03 and 2009/10. Iraq was DFID's largest bilateral programme in 2003/04, when DFID spent a total of £220m. That included a £110m contribution to the humanitarian relief effort following the invasion and a £70m contribution to the World Bank and UN Trust Funds (which would be spent by the World Bank and UN in subsequent years). The size of DFID's programme decreased over the following years.

In addition, UK forces in MND(SE) spent £38m from UK funds on Quick Impact Projects (QIPs).

It is not possible, from the information available to the Inquiry, to produce a definitive breakdown of the allocation of DFID funding between national programmes and programmes in the South. The Inquiry calculates that, from 2003/04 to 2007/08, between 76 percent and 52 percent of DFID funding was allocated to programmes in the South.²⁵ DFID's expenditure in the South peaked in 2005/06.

UK forces also had access to significant amounts of US funding from the Commander's Emergency Response Program (CERPs) to spend on urgent relief and reconstruction needs. The Government has not been able to provide a full breakdown of the amount of CERPs funding used by UK military commanders, but it appears to have been greater than the total amount provided by the UK for reconstruction. The US allocated US\$66m from CERPs to MND(SE) in the US fiscal year 2005/06. In the same year, in MND(SE), DFID spent some £35m on infrastructure and job creation and the MOD spent £3m from UK funds on QIPs.

By April 2009, the US had spent or allocated to ongoing projects US\$351m from CERPs in MND(SE), and spent or allocated to ongoing projects some US\$3.3bn from all sources in MND(SE). Over the same period, in MND(SE), DFID spent at least £100m and the MOD spent £38m from UK funds on QIPs.

UK funding was also available for Iraq from the Global Conflict Prevention Pool (and subsequently the Stabilisation Aid Fund and the Conflict Pool). Most of that funding was allocated to Security Sector Reform (see Section 12).

Preparation for withdrawal

84. From June 2005, the Government considered a series of papers on the transfer of security responsibilities for southern provinces to Iraqi Security Forces (leading to withdrawal of UK forces from Iraq).

85. DFID assessed that it could not operate effectively in the South without UK military support and, in October, indicated its intention to refocus on building the capacity of the Iraqi Government in Baghdad. Existing projects in the South would continue to completion but, given the security situation, no new projects would be started.

²⁵ Calculation excludes DFID funding for humanitarian assistance, the World Bank and UN Trust Funds, and programme support costs such as security, accommodation and communications. It is not possible to produce a reliable estimate of the proportion of the funding provided for those purposes that related to the South.

86. There was some resistance to that new approach from other departments: it was not until October 2006 that a DFID official could advise Mr Benn that “we have largely won the argument that DFID should shift focus ... to technical assistance in Baghdad”.²⁶

87. In October 2005, the US launched its new “Clear-Hold-Build” strategy for Iraq. One component of the strategy was the deployment of integrated civilian-military Provincial Reconstruction Teams (PRTs) into each Iraqi province.

88. The US initiative created a dilemma for the UK: how to meet US expectations that the UK would play a leading role in establishing PRTs in the South and that each PRT should be a “new venture” supported by additional resources, while not disrupting the UK’s plans to withdraw.²⁷ The Government’s solution was to “be constructive; find out more and try and influence the US approach; and ... repackage our effort in the South as a PRT but not do very much differently”.²⁸ UK plans for withdrawal would not change.

89. The UK-led PRT in Basra was established in May 2006, by bringing together existing US, UK and Danish programme teams.

90. An FCO paper described the situation in Basra at that time:

“Security and governance in Basra are bad and worsening ... Attacks on us, and both criminal and sectarian violence, are rising. Basic services are not being delivered ...

“The UK civilian effort in Basra is increasingly hunkered down. We face a lack of co-operation from the local authorities and severe restrictions on our movement. Our local staff ... suffer growing intimidation. Against this background, much of our effort – notably the Provincial Reconstruction Team we are standing up ... can make little headway.”²⁹

91. The UK’s response to the US strategy, including the introduction of PRTs, was entirely shaped by its plans to withdraw (militarily and in relation to reconstruction). The decision simply to repackage the UK effort meant that the possibility of establishing a coherent international effort in the South, adapted to the difficult security environment, was left unexplored. The PRT was a less effective organisation than it might have been. The weaknesses in the PRT would be exposed in 2008, as security improved and international partners looked to it to do more.

²⁶ Minute DFID [junior official] to Private Secretary [DFID], 6 October 2006, ‘Iraq: Future for DFID Programme from 2007’.

²⁷ eGram Baghdad to FCO London, 22 November 2005, ‘Iraq: Update PRTs’.

²⁸ Minute DFID [junior official] to Private Secretary [DFID], 1 November 2005, ‘Iraq: Oral Briefing in Preparation for DOP(I), 3 November’.

²⁹ Paper FCO, 27 April 2006, ‘DOP(I): Basra’.

The Better Basra Plans

Between June 2006 and March 2007, officials in Basra produced three “Better Basra Plans”, which aimed to get Basra on track for the transfer to Provincial Iraqi Control (PIC).

The first, produced under the direction of Mr Des Browne, the Defence Secretary, focused on Security Sector Reform. The third was a comprehensive plan, produced by the British Embassy Office Basra, MND(SE) and the PRT, setting out nine lines of operation including reconstruction under an “over-arching political strategy”.

The Stabilisation Unit subsequently reported that the “Better Basra Plans” had gone some way to make up for the absence of a UK strategy for Iraq, but had been undermined by a lack of strategic guidance from Whitehall and frequent changeover of personnel in theatre, and so “eventually fell by the wayside during the course of 2007”.³⁰

92. The security situation in Basra continued to deteriorate. In October 2006, the majority of civilian staff were withdrawn from the Basra Palace Compound to Basra Air Station (BAS), where MND(SE) was already based. The lack of hardened accommodation at BAS meant that the PRT withdrew first to Kuwait and redeployed to BAS in February 2007.

A new focus on economic development in Basra

93. Mr Gordon Brown took office as Prime Minister at the end of June 2007. In relation to Iraq, he focused his attention on initiatives to support economic growth and private sector investment in Basra. DFID increased staffing in both Basra and Baghdad to support those economic initiatives.

94. The UK-led PRT in Basra continued to be the primary means of delivering the UK’s reconstruction effort in the South.

95. In March 2008, Prime Minister Maliki launched a major offensive against militia groups in Basra, known as the “Charge of the Knights”. The operation led to an immediate improvement in the security situation in Basra. The US and the Iraqi Government moved quickly to exploit it by pouring in resources for reconstruction and in particular for projects which would have an immediate, visible impact.

96. A junior DFID official reported from Basra that it seemed the US could “do things” that the UK had not tried.³¹ It was able to dedicate more people and more money to the task; change the security environment to secure better civilian access; operate outside Iraqi structures; ensure better linkages to US work in Baghdad; and “apply sufficient clout at the Baghdad end” to secure the Iraqi Government’s attention.

³⁰ [Report Stabilisation Unit, 3 September 2008, ‘Review of the Basra Provincial Reconstruction Team’.](#)

³¹ [Email DFID \[junior official\] to DFID \[junior official\], 9 April 2008, ‘Basra’.](#)

97. Within the UK Government, initial reactions to those developments were mixed. Some saw them as an opportunity, others as undermining the UK's work to build the capacity of the provincial government (which risked being sidelined by decisions to channel funds directly to line ministries, tribal leaders and non-governmental organisations), as a distraction for the UK team, and as a risk to the UK's reputation.

98. Mr David Miliband, the Foreign Secretary, wrote to Mr Brown in April, describing the Charge of the Knights as “an opportunity” which had paved the way for a “proper and respectable end” to the UK's role as “lead partner in the coalition” in the course of 2009.³²

Civilian-military co-ordination on the ground

99. The withdrawal of civilian staff from Basra Palace in October 2006 came as frustrations within some elements of the military over the lack of an integrated civilian-military effort reached a critical point.

100. In March and April 2003, the Government had adopted new structures, centred on the AHMGIR, to co-ordinate its work on Iraq in the post-conflict period. There are no indications that the Government considered how civilian teams from different departments and the military would co-ordinate their efforts on the ground. It was left to those teams to determine how they should work together.

101. In December 2006, Major General Richard Shirreff, General Officer Commanding (GOC) MND(SE), wrote to Mr Blair proposing that the UK should establish a Joint Inter-Agency Task Force combining military and civilian reconstruction expertise under military command. Lt Gen Shirreff told the Inquiry that, by that time, the “inter-governmental piece” had failed, and characterised his proposal as “desperate times and desperate measures”.³³

102. Maj Gen Shirreff's proposal was the subject of heated debate within the Government. Mr Blair expressed support for it, but it was rejected by the MOD, other senior military officers, the FCO and DFID. Sir Nigel Sheinwald, Mr Blair's Foreign Policy Adviser, advised Mr Blair that there had been constant problems between military and civilian teams in Basra “from the start” and concluded: “We must make a last effort to get a joined up operation.”³⁴

103. The Government concluded that it was not appropriate to establish a military lead for reconstruction. The co-location of MND(SE), the PRT and other civilian teams at BAS was expected to help co-ordination. In March 2007, the UK civilian and military teams in

³² [Letter Miliband to Prime Minister, 29 April 2008, 'Iraq'](#).

³³ Public hearing, 11 January 2010, pages 20-21 and 42.

³⁴ [Minute Sheinwald to Prime Minister, 5 January 2007, 'Iraq: Weekly Update' attaching Note Cabinet Office, 5 January 2007, 'Basra'](#).

Basra proposed a new structure, with a civilian lead, to co-ordinate the UK's effort in the South.

104. Reports from Basra after March 2007 indicate that civilian-military co-ordination improved.

105. Co-ordination on the ground was complicated by:

- the lack of an integrated UK strategy (within which civilian and military teams on the ground could locate their efforts); and
- the physical separation of the UK's civilian and military teams until February 2007 – the effect of that separation was exacerbated by the constraints on travel in Basra and the lack of a common communications system.

106. The Government should have acted much sooner to support civilian-military co-ordination on the ground in Iraq.

Reconstruction, strategy and planning

107. Section 9.8 concludes that the Government's frequent new strategies for Iraq did not result in substantial changes in direction, due to their focus on describing a desired end state (rather than on how it would be reached), the absence of a Cabinet Minister with overall responsibility for Iraq, and the difficulty in translating Government strategy into action by departments. Although Iraq was designated the UK's highest foreign policy priority, it was not the top priority within individual departments.

108. Throughout the period, reconstruction was presented as the third pillar of UK strategy, after the political process and security. None of the UK's strategies defined how reconstruction related to the political process and security, how progress on reconstruction could contribute to achieving broader UK objectives and, in that context, whether the focus and scale of the UK's reconstruction effort was appropriate.

The role of reconstruction

Only once during the period covered by the Inquiry were Ministers invited to consider fundamental questions on the size, focus and impact of the UK's reconstruction effort and the contribution that reconstruction could make to achieving broader UK objectives.

The Ministerial Committee on Defence and Overseas Policy on Iraq (DOP(I)), chaired by Mr Blair, met for the first time on 26 May 2005.³⁵ The Annotated Agenda for the meeting, prepared by the Cabinet Office, invited Ministers to consider a number of questions, including:

- Was the funding available for reconstruction across Government adequate?
- Was the UK investing at a level that supported its objective of creating stability such that there could be troop withdrawals?

³⁵ Annotated Agenda, 24 May 2005, DOP(I) meeting.

- Was the UK delivering a short-term return which would boost the political process?

Those were important questions. It should not have taken until May 2005 for officials to pose them, or for Ministers to require advice on them.

DOP(I) did not address those questions.

Work by officials to establish the funding available for reconstruction across Government was fed into discussions on the UK's deployment to Helmand province, Afghanistan.

109. DFID's intent in March 2003 was to deliver a development programme in Iraq which fitted their standard model for Middle-Income Countries. The programme would focus on providing technical assistance for the economic and institutional reforms which would underpin the reconstruction process and, given Iraq's potential wealth, would be relatively short term. The majority of assistance would be delivered through multilateral channels.

110. That approach was not tailored to the known scale and nature of the post-conflict reconstruction task in Iraq. The information available to the Government before the invasion clearly set out the deteriorated state of Iraq's infrastructure. Ms Short told the House of Commons at the end of January 2003 that Iraq's infrastructure was "in chronic disrepair. Hospitals, clinics, sanitation facilities and water treatment plants suffer from a terrible lack of maintenance. The result is that the Iraqi people's lives are perilously fragile."³⁶

111. By May 2003, DFID had begun to change its approach.

112. There were two major shifts in DFID's focus in Iraq over the period covered by the Inquiry, in response to broader UK objectives and the situation on the ground. The speed and scale of DFID's response were informed by its own departmental priorities.

113. Those shifts were the product of series of individual judgments and decisions by DFID Ministers and officials, rather than of a structured strategy-making process. That incremental approach was facilitated by the weaknesses in the Government's strategy-making process (described in Section 9.8).

114. First, from June 2003, DFID moved to support programmes in the South that would have an immediate and visible impact. That shift was driven by the Government's concern over the declining level of consent for the UK military presence in the South due, in the Government's view, to CPA(South)'s inability to deliver reconstruction.

115. DFID produced an Interim Country Assistance Plan for Iraq in February 2004, setting out how it planned to contribute to Iraq's reconstruction and development. The Plan stated that, given the rapidly changing situation in Iraq, it would need a substantial review after one year.

³⁶ House of Commons, *Official Report*, 30 January 2003, columns 1053-1054.

116. Despite that statement, and the significant changes on the ground (including the deterioration in the security situation and the transition from Occupation to a sovereign Iraqi Government), DFID did not undertake any further, structured strategic reviews of its engagement in Iraq.

117. The focus on the South continued during 2004 and 2005, driven by the Government's assessment that the South was not a priority for the US, the lack of funding from the central Iraqi Government, and the continuing absence of other donors, the World Bank and UN.

118. Second, from October 2005, when DFID indicated that it would refocus on building the capacity of the Iraqi Government in Baghdad. Existing projects in the South would continue to completion but, given the security situation, no new projects would be started.

119. The Inquiry considers that DFID missed several opportunities to address hard, strategic questions over the scale and focus of its programme in Iraq and the contribution that it could make to achieving broader UK objectives. Addressing those questions did not necessarily require a formal review of the Country Assistance Plan, but did require a structured process which:

- included a comprehensive assessment of the political, economic and social context in Iraq;
- considered the lessons that DFID had identified and how it would respond to them;
- challenged DFID's approach in Iraq;
- engaged and reflected the policies and priorities of the Iraqi Government, the US and other international partners; and
- engaged other departments, in particular to consider how the reconstruction effort could contribute to broader UK objectives.

120. Particular opportunities were:

- in July 2003, when the UK took on civilian leadership of CPA(South) and in doing so created a "British fiefdom" in the South;
- in autumn 2003, as the Government sought to respond to deteriorating security in the South by providing support for essential services. DFID should have taken steps to resolve the emerging tension between Ministers' desire to accelerate reconstruction in the South, and the lack of resources to do so;
- in October 2004, as the insurgency took hold across Iraq and Mr Blair sought to increase the impact of DFID's reconstruction effort, in particular in cities regained from insurgent control;

- in May 2005, when DFID chose not to undertake the substantive review of its Country Assistance Plan for Iraq to which it was committed;
- in October 2005, when the US adopted a Clear-Hold-Build strategy, including increased support for Iraqi institutions and the deployment of PRTs;
- in 2007, in response to the US surge and Mr Brown's focus on economic development initiatives in Basra; and
- in 2008, in response to the improved security situation in Basra following the Charge of the Knights.

121. Under the leadership of Mr Benn and Mr Chakrabarti, DFID missed several clear opportunities to:

- review its approach and strategy in Iraq to ensure it was making the greatest possible contribution to the reconstruction of Iraq and to the UK's broader objectives; and
- work within Whitehall to encourage the Government to review the UK's broader approach and strategy.

Energy security, oil and oil revenues

122. Energy security was one of the UK's "fundamental interests" in relation to Iraq throughout the period covered by the Inquiry.³⁷ The region accounted for 33 percent of the world's oil supply.

123. As Section 3 makes clear, the UK's decision to take military action in Iraq was not driven by economic considerations or potential commercial benefits.

124. The UK's concerns in relation to Iraq's oil in the run-up to the invasion were:

- the possible impact of military action on oil prices; and
- to maximise the contribution that Iraqi oil revenues could make to financing Iraq's reconstruction (reducing the risk that the UK would need to make a substantial contribution).

125. The US Department of Defense led planning to restore the oil sector before the invasion. The UK did not participate in that planning, and only become aware of it shortly before the invasion began.

³⁷ Paper FCO, January 2001, 'Iraq: A Fresh Look at UK Interests'.

126. The US and UK disagreed on who should control Iraqi oil revenues during the Occupation. The UK's position, as set out in a briefing for Mr Blair in March 2003, was that:

“The UN or the Iraqis, not the Coalition, should manage oil revenues.”³⁸

127. Resolution 1483, which was adopted on 22 May 2003, reflected the US position that the Occupying Powers (the US and UK) should manage oil revenues.

128. During the Occupation, the CPA excluded the UK (and British nationals working in the CPA) from discussions on oil policy and rejected offers of a UK oil policy expert. Sir Jeremy Greenstock told the Inquiry that, in his view, “the Americans had no intention to take over and own the oil sector ... I think they just felt it was such an important area that they would run it themselves”.³⁹

129. In October 2003, against that background, the UK adopted a new approach of engaging directly with Iraqi ministers and officials.

130. The main objectives of UK policy during and after the transition to a sovereign Iraqi Government were:

- the introduction of measures to improve governance and transparency in the oil sector and in the collection and disbursement of oil revenues, including through the Extractive Industries Transparency Initiative (EITI);
- the creation of a public sector national oil company;
- the promotion of foreign direct investment (FDI), which the UK believed to be the only realistic source of the funding needed to develop Iraq's oil fields and facilities and raise production. Such investment could also produce substantial business for UK companies. The UK adopted an increasingly cautious position on the potential role of the private sector in Iraq's oil sector, including FDI, over the period covered by the Inquiry; and
- with respect to the proposed Hydrocarbons Law, for the federal Iraqi Government to have responsibility for signing new oil exploration and production contracts and for regulating the sector. The UK's underlying concern was to preserve the integrity of the Iraqi State.

131. There is no evidence that the UK significantly influenced Iraqi policy in relation to oil. A junior FCO official reported in September 2006 that the Iraqi Government cared more about what international oil companies thought.

³⁸ [Letter Owen to Rycroft, 25 March 2003, 'Prime Minister's Visit to Washington: Iraq: UN Security Council Resolution on Phase IV' attaching Paper IPU, 25 March 2003, 'Iraq: Phase IV: Authorising UNSCR'](#).

³⁹ Public hearing, 15 December 2009, pages 103-104.

Support for UK business

132. The Government initially adopted a low-key approach to lobbying for UK business, to avoid giving “undue prominence” to commercial interests.⁴⁰ From March 2003, in response to pressure from UK companies, it gradually stepped up its efforts.

133. The US (including USAID, the US Army Corps of Engineers and the CPA) was the major source of reconstruction contracts during the Occupation. The Government’s objective was to ensure a “level playing field” for UK companies.⁴¹ The US made clear to the UK that, while it welcomed the participation of UK companies, there was no “special deal”.

134. A senior UK Trade and Investment (UKTI) official, writing in December 2003, reported that:

“It took time, initially, to persuade Ministers that this [promoting UK business] was a legitimate objective that the Government should be seen to be promoting actively ...

“But the departments responsible for overseeing this co-ordination [on post-conflict Iraq] made clear at an early stage that UK commercial interests were a lower priority than other aspects of reconstruction. The result ... was that the contribution that the private sector could make to post-conflict reconstruction was less well registered.”⁴²

The Government’s approach to post-conflict reconstruction

135. The Government began a review of the UK’s approach to post-conflict reconstruction in September 2003.

136. The inter-departmental Post-Conflict Reconstruction Unit (PCRU) was established in September 2004. It became operational during 2005 and in December 2007 was renamed the Stabilisation Unit (SU).

137. The PCRU and SU focused their activity on Afghanistan. They made limited, but valuable, contributions in Iraq.

138. Since 2007, the SU has continued to evolve in response to a changing strategic and policy framework shaped by:

- the 2008 and 2010 National Security Strategies (NSS);
- the 2010 Strategic Defence and Security Review (SDSR); and
- the 2011 Building Stability Overseas Strategy (BSOS).

⁴⁰ [Minute Henderson to Symons, 12 February 2003, ‘Iraq: Post-Conflict Commercial Issues’.](#)

⁴¹ [Letter Zimmer to Rycroft, 10 October 2003, ‘Iraq: Update on Commercial Issues’ attaching Paper UKTI, 10 October 2003, ‘Iraq: Update on Commercial Issues’.](#)

⁴² [Minute Warren to Haddrill, 10 December 2003, ‘Post-Conflict Resolution: Iraq’.](#)

139. The review of post-conflict planning and preparation that began in 2003 was triggered by the Iraq experience, but was not designed to provide immediate solutions to the problems encountered in Iraq.

140. On the evidence seen by the Inquiry, the Government quickly identified lessons learned from the shortcomings in its planning and preparation for post-conflict Iraq and the initial experience of post-conflict reconstruction. It failed, however, to apply those lessons in Iraq.

141. There is no indication that Ministers or officials considered how the PCRU might support operations in Iraq until autumn 2005.

142. PCRU support was essential to the establishment and operation of the Basra PRT during 2006. The PCRU did not, however, have a mandate to overcome the difficulties caused by variations in the contracts and terms and conditions of PRT staff, most of whom were transferred from existing roles in Iraq (see Section 10.3).

143. After 2006, there were further changes to the UK's strategic approach to reconstruction and stabilisation and improvements to its deployable capability.

144. It is not possible to determine how the structures and capabilities introduced by successive governments would have performed in the circumstances that existed either in Whitehall during the planning and preparation for a post-Saddam Hussein Iraq in 2002 and early 2003, or in Whitehall and Iraq between 2003 and 2009.

145. The size and scope of the Stabilisation Unit and the resources at its disposal in 2016 far exceed anything available to the UK in 2003.

146. The strategic direction established through the BSOS and new cross-government machinery centred on the National Security Council, have created an improved framework for constructing an integrated civilian-military approach to post-conflict strategy, planning, preparation and implementation.

147. The Box below lists some of the lessons learned from reviews of the UK approach to stabilisation since 2009, described in greater detail in Section 10.3.

Reviews of the UK approach to stabilisation

In August 2010, the Royal United Services Institute (RUSI) published a review of the Government's progress in promoting stability in countries emerging from conflict.

The review concluded that, between 2005 and 2010, a drive towards greater inter-departmental co-operation had led to a number of institutional innovations, an increase in the resources available for stabilisation, new cadres of practitioners and improved co-ordination in-country, but that the UK was "not yet delivering on its full potential to engage in fragile states".⁴³ Issues highlighted in the review included:

- a "mismatch" between ambitions and resources;
- loyalty to departments rather than to government as a whole; and
- lessons recorded and stored by a number of departments, but seldom considered when new decisions needed to be made.

The Stabilisation Unit produced a paper on lessons learned from the UK's growing experience of stabilisation activities in November 2010. Lessons included the need to ensure that economic and development objectives complement and support efforts to promote a peaceful political process, and the importance of securing community engagement.

The Inquiry agrees, in the context of Iraq, with many of the lessons identified in the RUSI review and the November 2010 Stabilisation Unit paper.

The impact of the UK's reconstruction effort

148. From the available information, it is not possible fully to assess the impact of the UK's reconstruction effort.

149. One difficulty is that the Government never defined what contribution reconstruction should make to achieving broader UK objectives and so what would constitute success or failure.

150. The environment in Iraq made reconstruction very difficult. For almost all of the period covered by the Inquiry, insecurity was the major constraint. Other constraints were:

- the lack of capacity within the Iraqi Government, both in Baghdad and the South, to support and lead reconstruction;
- the form and implementation of de-Ba'athification;
- the politicisation of Iraqi institutions, and corruption;
- the series of relatively short-lived Iraqi administrations between 2004 and 2006 (with limited remits to initiate reform and an inevitable churn of Ministers and senior officials);
- an international community which, because of the circumstances of the invasion, was not fully invested in the reconstruction of Iraq; and

⁴³ Teuten R & Korski D. *Preparing for Peace. Britain's Contribution and Capabilities*. RUSI, 2010.

- the persistent lack of co-ordination between the Iraqi Government and international partners, and between international partners.

151. Staff and contractors developed a number of approaches to managing the risks inherent in working in such an environment:

- using innovative techniques to deliver projects, such as working through local Iraqi contractors, using the military (who were more frequently able to visit project sites) to manage and monitor projects, and helping the Ministry of Finance to set up an office inside the International Zone in Baghdad within which international consultants could work;
- systematically tracking poor performance;
- adapting delivery methods to reduce fiduciary risk; and
- building clear exit strategies into projects, including dedicating significant effort to bringing in other donors.

152. The Inquiry recognises the dedication and skill of the staff and contractors who worked in Iraq, often in discomfort and at personal risk.

153. Witnesses to the Inquiry and contemporary documents identify three areas in particular where the UK had made a significant contribution to Iraq's reconstruction:

- building Iraqi capacity at the centre of government (including the Prime Minister's Office and the Cabinet Office), and strengthening the linkages between Baghdad and the provinces;
- building the capacity of the provincial administration in Basra; and
- building the capacity of successive Iraqi Governments to manage the economy (including the launch of a new Iraqi currency in 2003) and engage effectively with the International Monetary Fund.

154. The Inquiry met a number of senior Iraqi politicians and officials, and asked them for their views on the UK's reconstruction effort. DFID's focus on building Iraqi Government capacity to plan and manage was recognised and welcomed. That was contrasted with short-term activities, including building schools and hospitals, which Iraq could do for itself.

155. In Basra, the Inquiry was told that there was little to show for the UK's reconstruction effort. A small number of projects were identified as continuing to have a positive impact, including:

- training in the UK delivered by the PRT;
- job creation programmes supported by DFID; and
- improvements to the sewerage system supported by the UK military.

Key economic and social indicators

156. It is possible to consider the impact of the international community's reconstruction efforts in Iraq by looking at the changes in a number of key indicators. Table 1 presents selected economic and social indicators.

157. In relation to the economy:

- Electricity production fell from around 4,000 megawatts (MW) per day before the invasion to 500MW in May 2003 (immediately after the invasion), before recovering to around 4,000MW in June 2004 (the transition from Occupation to a sovereign Iraqi Government).⁴⁴ By 2009, production was around 6,000MW.
- Oil production fell from around 2.9m barrels a day (bpd) before the invasion to around 0.3m bpd in May 2003, before recovering to 2.3m bpd by June 2004. By 2009, production remained below pre-conflict levels.

158. The under-five mortality rate fell from 42 to 38 (per 1,000 live births) between 2003 and 2009.

159. Perceptions of corruption in Iraq worsened between 2003 and 2009. Iraq fell from 113th out of 133 countries surveyed for Transparency International's Corruption Perceptions Index in 2003, to 176th out of 180 countries surveyed in 2009.

160. The UN's 2009 Common Country Assessment concluded that, while Iraq had fulfilled its constitutional mandate requiring 25 percent of Parliamentary seats to be filled by women, women remained under-represented at higher levels within the public sector and government.⁴⁵ Women also had higher illiteracy levels than men, participated in smaller numbers in the labour force, were paid less and were segregated into certain occupations. A disproportionate number of households in poverty were headed by women.

⁴⁴ Brookings Center for Middle East Policy, 26 July 2013, Iraq Index, *Electricity*.

⁴⁵ UN, 2009, *Common Country Assessment: Iraq*.

Table 1: Iraq: selected economic and social indicators

	1989	2002	2003	2004	2009
GDP at market prices (current US\$bn) ⁴⁶	65.6	n/a	n/a	36.6	111.7
GDP per capita (current US\$) ⁴⁷	3,850	n/a	n/a	1,391	3,725
Electricity production (megawatts) ⁴⁸		3,958	500 – 3,456	4,030	5,700
Oil production (million barrels per day) ⁴⁹	2.90	2.02	1.31	2.01	2.39
Under-five mortality rate (per 1,000 live births) ⁵⁰	55	43	42	42	38
Primary school enrolment, both sexes (%) ⁵¹	90	n/a	94	93	92
Employment (%) ⁵²	43	43	43	43	44
Corruption ⁵³	n/a	n/a	113/133	129/146	176/180

Lessons

161. The starting point for all discussions of reconstruction in circumstances comparable to those in Iraq between 2003 and 2009 must be that this is an area where progress will be extremely difficult.

162. Section 6.5 concludes that better planning and preparation for a post-Saddam Hussein Iraq would not necessarily have prevented the events that unfolded in Iraq between 2003 and 2009. It would not have been possible for the UK to prepare for every eventuality. Better plans and preparation could have mitigated some of the risks to which

⁴⁶ World Bank Open Data, www.data.worldbank.org, *Iraq: GDP at market prices (current US\$)*.

⁴⁷ World Bank Open Data, www.data.worldbank.org, *Iraq: GDP per capita (current US\$)*.

⁴⁸ Brookings Center for Middle East Policy, 26 July 2013, Iraq Index, *Electricity*. Figure for 2002 is a estimated pre-war level.

⁴⁹ US Energy Information Administration. *Iraq Crude Oil Production by Year*.

⁵⁰ World Bank Open Data, www.data.worldbank.org, *Iraq: Mortality rate, under-5 (per 1,000)*. Under-5 mortality rate is a leading indicator of the level of child health and overall development in countries.

⁵¹ World Bank Open Data, www.data.worldbank.org, *Iraq: Net enrolment rate, primary, both sexes (%)*. Figure for 2009 relates to 2007 survey.

⁵² World Bank Open Data, www.data.worldbank.org, *Iraq: Labor force participation rate, total (% of total population ages 15-64)*.

⁵³ Transparency International, *Corruption Perceptions Index (CPI)*. Iraq was not included in the CPI before 2003. The CPI draws on multiple data sources.

the UK and Iraq were exposed between 2003 and 2009 and increased the likelihood of achieving the outcomes desired by the UK and the Iraqi people.

163. From late 2003, successive reviews of the UK's approach to post-conflict reconstruction, later expanded to include the broader concept of stabilisation, resulted in a series of changes to the UK's approach to post-conflict operations. Despite those changes, many of the shortcomings that characterised the UK Government's approach to pre-conflict planning and preparation in 2002 and early 2003 persisted after the invasion.

164. The UK Government's new strategic framework for stabilisation, the new machinery for inter-departmental co-ordination and the enhanced resources now available for stabilisation operations continue to evolve. If future changes are to increase the effectiveness of UK operations, they must address the lessons for planning, preparation and implementation derived from the Iraq experience.

165. The lessons identified by the Inquiry apply to both the planning and preparation for post-conflict operations, of which reconstruction is a major but not the sole component, and to post-conflict operations themselves.

166. Analysis of the available material must draw on multiple perspectives, reflect dissenting views, identify risk – including that associated with any gaps in knowledge – and consider a range of options.

167. Information must be shared as widely across departments as is necessary to support that approach.

168. Information-gathering and analysis of the nature and scale of the potential task should be systematic and as thorough as possible, and should capture the views and aspirations of local communities.

169. Plans derived from that analysis should:

- incorporate a range of options appropriate to different contingencies;
- reflect a realistic assessment of UK (and partners') resources and capabilities;
- integrate civilian and military objectives and capabilities in support of a single UK strategy;
- be exposed to scrutiny and challenge at Ministerial, senior official and expert level;
- be reviewed regularly and, if the strategic context, risk profile or projected cost changes significantly, be revised.

170. A government must prepare for a range of scenarios, not just the best case, and should not assume that it will be able to improvise.

171. Where the UK is the junior partner and is unable during planning or implementation to secure the outcome it requires, it should take stock of whether to attach conditions to continued participation and whether further involvement would be consistent with the UK's strategic interest.

172. Public statements on the extent of the UK's ambition should reflect a realistic assessment of what is achievable. To do otherwise is to risk even greater disillusionment and a loss of UK credibility.

173. Departmental priorities and interests will inevitably continue to diverge even where an inter-departmental body with a cross-government role, currently the SU, is in place. Therefore, co-operation between departments needs continual reinforcement at official and Ministerial levels.

174. The Head of the SU must be sufficiently senior and the SU enjoy recognition inside and outside government as a centre of excellence in its field if the Unit is to have credibility and influence in No.10, the National Security Council, the Treasury, the FCO, DFID and the MOD, and with the military.

175. Section 9.8 sets out the Inquiry's conclusions and lessons on strategy-making.