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Major Moneybags

A low-ranked soldier just arrived in Iraq, Andrew Alderson suddenly found himself trying to run a multi-million economy with hard cash stored in shipping containers. This is his comical and terrifying story

Brigadier Andrew Gregory wore a polo shirt and khaki trousers with a Guards regiment belt and desert boots. He looked at me intently.

“It’s Major Alderson, isn’t it?”

“Yes sir.”

“Do you know anything about finance?”

“Well, yes,” I replied cautiously, “I’m a former director of a merchant bank. What is it you want to know?”

“We seem to have a problem with the Central Bank,” he said.

I realised I’d been ambushed. Half an hour later two nervous looking senior Iraqi officials from the Basra branch of the Central Bank of Iraq were ushered in and the brigadier disappeared, taking his interpreter with him. I was expected to solve this problem without assistance.

“So,” I said, beaming across at the silent Iraqis. “What seems to be the problem?”

The older of the two looked me straight in the eye. “You have stolen our money!” he declared.

I’d been in Iraq for just three days. It was a very different scene from the one I was used to. Since 1995 I’d worked for Lazard, part of the “aristocracy” of the City of London. I’d helped advise on and negotiate multi-million-pound deals, working exhausting days that had routinely started at 7.30am and often lasted till 10pm.

In one of the biggest deals of my life — a multi-million-pound contract with our client Granada — I had worked round the clock at my desk for three days, only leaving it to buy fresh clothes. At 2am on the last day, with the contract finally clinched, I drove home. Having just completed the deal of a lifetime I should have been over the moon. Instead I just felt flat.

My response was dramatic. Having been a member of the Territorial Army since university, I went “operational”. And, after a tour of duty in Kosovo, now I found myself being sent to postwar Iraq in June 2003.

I was living in a sparsely decorated room with 11 others, and the beds were Ikea bunks. As a merchant banker who had travelled the world I was used to staying in more luxurious accommodation.

Basra’s rubbish, potholes and sewage reminded me of Kosovo — only 10 times worse. The smell was truly, hideously, vile. But at least it wasn’t the City.

“I see,” I told the two Iraqi bankers demanding their “stolen” money. “That’s clearly something I’ll have to look into and get back to you about.”

But where did I even begin to look for the answer? Major Frances Castle was in charge of my brigade’s administration and pay. I hurried over to see her. She was a little wary of an unqualified person trying to meddle in complex financial issues.

“I’ve been directed by Brigadier Gregory to get involved in this. I think it’s because someone told him that I worked for a merchant bank.”

Instantly her mood began to change. “We do have rather a lot of money for safekeeping,” she said. “Here, you’d better have a look at this.”

With that Major Castle took me to a secure unit where there were five large shipping containers lying side by side. She unlocked one to reveal that it was full of sacks, plastic bags and bin liners. And every one was stuffed full of Iraqi dinar banknotes.

I was dumbstruck. How on earth had they got here, I asked? The end of Saddam Hussein’s rule, I was told, was greeted with widespread looting and the army had feared that the banks would be stripped of cash. It was seized for safekeeping until someone could think what to do with it. Millions of dollars’ worth, all stashed in five vast containers.

Finding the money, I soon realised, had been the easy bit. I still had no clear idea what that cash was for or how the Central Bank in Basra operated. Over the coming weeks I was to undergo a crash course in state finance and centralised bureaucracy, led deeper and deeper into the mysterious world of Iraqi economics.

The country has a highly centralised command economy, run on similar lines to the old Soviet-bloc models. At the centre was Baghdad, which handled the huge army of civil servants and state-sector workers. In fact in Iraq there was hardly anyone who wasn’t a state-sector worker. From oil and transport to teaching, health and the police, nearly everyone was employed and paid by the state.

When the coalition troops came in and removed the head of this centralised economy, almost everything and everyone stopped working. Many civil servants and key ministers fled — worried they might be implicated in Saddam’s crimes or become targets for retribution by fellow Iraqis. There was no one left to make decisions and many of the files disappeared too. They were either

destroyed or taken by the fleeing officials. Most important of all, no one was left to pay the state workers.

I soon learnt how the Iraqis viewed this centralised system when I was introduced to my new interpreter, Abdul. He had helped Frances Castle and her team deal with various pensioners and welfare groups who had been turning up at brigade HQ demanding money. Now he was going to help me.

“So what do you know about finance?” I asked.

“Well, nothing actually,” he cheerfully admitted. Then he added: “Here everyone works for the government — so that makes things easier because everyone is the same, doesn’t it?”

“Er, I guess,” I said hesitantly. The senior of the two central bankers, Mr Raffaq, also opened my eyes to the Iraqi view of government when I met him to explain I had “found” his missing money. He now admitted he knew all along that the British military had stored it for safekeeping. The Iraqi Central Bank had even been given a key to the containers.

So why hadn’t he simply taken what he needed to pay the city’s workers? Mr Raffaq wearily informed me that the situation wasn’t as simple as that. He had been told that he couldn’t use the Iraqi dinars to make salary payments.

“Why not?” I asked, puzzled. “The money belongs to the bank.”

“Yes, but Baghdad has told us to make the payments in dollars.”

“Okay,” I said. “So why don’t you do that?”

“Because I don’t have any,” came the perfectly reasonable reply.

On the surface the instructions from Baghdad made sense. The Ministry of Finance and its American advisers wanted to keep a healthy balance of dinars in Basra to stabilise the economy. This meant any substantial payments should be made in dollars. This was great in theory. The trouble was Mr Raffaq had no US dollars, and he certainly wasn’t going to ask for them. Because that isn’t what you do in a command economy. You just follow instructions and wait to be told what to do next.

There was something else that puzzled me. Why had Mr Raffaq gone around saying the British Army had “stolen” his money if he knew all along where it was? This too soon became clear. Amid the chaos, looting and disorder of Basra, Mr Raffaq didn’t want to be blamed for people not getting their wages. He had opened his bank doors and the vaults to show the disgruntled people on the streets that he had no money. Instead he could blame it on the British Army.

It was quite understandable. It was a lawless society out there and had the bankers been suspected of hiding the cash they’d have been lynched. Mr Raffaq and his colleagues were simply waiting for someone — us or Baghdad — to tell them what to do. I soon realised that the problem with the bank was absolutely central to the immediate future of southern Iraq.

On the streets tempers were beginning to boil. The daytime temperature was moving above 40C, while water supplies and electricity were intermittent, and none of the state workers had been paid for something like six weeks. No wonder the army was keen for someone to sort out the Central Bank. The only people who really understood the issue — the old Iraqi Ministry of Finance — had long since headed for the hills.

Now we'd overthrown Saddam and his henchmen, ordinary Iraqis naturally looked to us. Most had genuinely celebrated the demise of the hated Saddam in Basra. But if we didn't pay them it might not be long before they took out their anger on the new "rulers". Protesters were already throwing stones at our HQ.

First, I had to figure out how the banking system worked. I told Mr Raffaq I needed to see some paperwork to show me how the money moved — where it came in and to whom it was paid. At first he shrugged and told me all the paperwork had disappeared. However, as I got to know him, a series of vast old bank ledgers slowly and mysteriously began to appear, all written in Arabic.

With Abdul's help and my laptop, I laboured for hours in a stiflingly hot office. My biggest fear was that I wouldn't be able to work it all out before the city erupted in violence.

Finally, after four days, I went to see Brigadier Gregory. "We're \$48m short, sir."

"What? Who's stolen it?"

"No one has stolen it, sir," I replied. "The money's in Baghdad — it's just not here."

"So what do you suggest?" asked Major Hugh Eton, the chief of staff.

"Well, if this was my civilian job I'd get on aeroplane and go see someone. I've always found these things are best sorted face to face."

Eton shook his head. The correct way to ask for the \$48m, he said, was to pass the request upwards until it finally went to someone in the Coalition Provisional Authority (CPA) in Baghdad.

It was a perfectly logical response, but my heart sank. It wasn't hard to imagine the reaction of someone higher up the chain of command faced with a request from Basra for \$48m. "Have they gone stark raving bonkers?" they'd say.

I was getting more and more frustrated, although I had little choice but to obey orders. I was just a TA major and the regular army generally regarded TA soldiers as second-class citizens.

Another regular officer, Colonel David Amos, in charge of "operations support", had been listening, however. He took me to one side. "Okay," he said, "what would you do now if you were a civilian?"

"I would go straight to Baghdad."

"But you know that would cause some problems," said the colonel thoughtfully. Sending me to Baghdad to talk to the CPA would go against normal military protocol. The CPA leadership in Baghdad was equivalent to a five-star general while even the head of the British Army Corps was

only at the level of a three or four-star general. I, meanwhile, was just a part-time major who had been in Iraq for barely a week.

Amos considered the matter for a few moments. Then he winked. "Okay, put some civilian clothes on, use that phone over there and book a flight to Baghdad and go," he said. "I'll cover for you if need be."

I told Phil Smith, an American consultant on contract to the British Department for International Development (DFID), that he was going with me, because he had contacts in the Ministry of Finance.

Phil was horrified. "Why do we bloody hell want to do that? It's dangerous up there!"

"Yes, but we need to get the money."

"Yeah, okay, but there are Americans up there and they shoot at people — I'm American and I wouldn't want to go there."

WE SET OFF at dawn. Instead of uniform, I wore chinos, polo shirt and a pair of deck shoes with a small green day sack slung over my shoulder concealing my flak jacket, pistol, spare magazine, helmet and first field dressing. Phil puffed on his first cigarette of the day.

We were the only two civilians in a Hercules full of soldiers. I tried to sleep. Suddenly the plane dived and began to corkscrew. My feet, below me one second, were above my head the next. There was a loud thud. We had landed in Baghdad, almost colliding with the runway.

The Americans hadn't been in Baghdad for long and bureaucracy still hadn't taken grip. So Phil and I managed to hitch a lift to the city centre on a military convoy. Our destination was the famous Saddam palace, the headquarters of the CPA. Inside there was corridor after corridor and set of stairs after set of stairs. Eventually a quiet corridor revealed a sign saying Ministry of Finance on a panelled door.

Inside we met two advisers, a British guy called John and an American called Jacob. I explained the situation in Basra. They seemed receptive.

I was in full flow when a man in his mid-fifties shuffled in and sat in a big chair next to our table. With his greying hair and gold-rimmed glasses he had a military bearing, though he was casually dressed in filthy-looking chinos, socks and sandals.

I was still talking when he sat back in his chair, pushed up his glasses, looked to the ceiling and exclaimed: "Five hundred! Oh my God, all I wanted was 500! I mean, doesn't the appropriations committee understand?" He was talking about the United States Senate appropriations committee and I quickly worked out that he didn't mean \$500 but \$500m. It was an impressive figure but nonetheless I felt irritated with this man — who looked like a cleaner — for interrupting us. Then I worked out who he was.

David R Oliver Jr was a retired US rear-admiral who had been a deputy undersecretary of defence under Bill Clinton and George W Bush. Now he was the director of management and budget for the coalition forces. In effect he was the main moneyman in Iraq.

“So who are you?” he said, suddenly staring at me.

“I’m Andrew Alderson,” I said, careful not to reveal my military rank. “I’ve just come up from Basra where the locals are a bit restless — I wondered if you could give us some money?”

I was relieved to see that he smiled. “Yeah, I saw your name on an e-mail, I think. You know what,” he added, still smiling, “we figured that for \$48m someone would get in an airplane and come to get it. I guess you did — so I guess we should give you the money.”

I could hardly believe it: no argument or discussion. I felt the familiar sensation of excitement and achievement you get as a banker when you make a trade. My only aim now was for Phil and me to get out as soon as possible before he changed his mind.

David Oliver was still talking, however. “Can we do that, John?” he asked, looking at his adviser, who nodded.

“Yes,” continued Oliver, “that’s right, we have this fund of \$1,000m so I guess we could take it out of that?”

Oliver was clearly a man used to dealing with large sums of money and the \$48m I was asking for certainly didn’t faze him. I later discovered why when I saw their vaults downstairs. They were huge. But then they needed to be to house the \$2 billion in cash that was routinely stored there.

It turned out that they’d be able to deliver the money the very next day. I felt pretty good.

I WAS still in good spirits when we were met at Basra airport by two 4x4s laid on by Colonel Amos. It was done quite discreetly as Phil and I were still supposed to be operating covertly.

Our mini-convoy was heading back towards the safety of brigade HQ when we took a wrong turn, plunging straight into the centre of Basra old town, out of bounds to us without a properly armed patrol.

There must have been up to 5,000 Iraqis milling around. The evening light was starting to fade and suddenly some of the Iraqis started to bang on the roof of the vehicles demanding to talk to us. Phil and I were in our civilian clothes in the back seat and by now he was anxiously chain-smoking. We could just about grasp that there was a gunman down the street, that someone had been shot and the crowd wanted us to do something about it.

As the crowd grew thicker I began to fear the worst. I thought of that horrible occasion when two British soldiers in civilian clothes had accidentally driven into the middle of a funeral procession in Belfast in 1988 and were savagely beaten then shot dead. Today had been one of the biggest days of my life so far; now suddenly there seemed a real possibility it could be my last.

Scotty, the sergeant driving, turned round from the front seat and asked how many rounds we all had. I’ll always remember Scotty saying grimly: “If we go, we’re going down fighting. And you may want to save a round for yourself . . .” We inched forward and, though people banged on the roof, we eventually got through unscathed.

It turned out that earlier that day the mood of the protesters outside military HQ had turned ugly. A group of 5,000 had blocked the entrance road, and one had produced an AK47 assault rifle and fired off several rounds. A passenger in a trapped military convoy had also opened fire. Fortunately no one had been seriously hurt but the incident showed tension was rising.

The sound of Chinook helicopter blades across the Shatt al-Arab river the next day heralded the arrival of the cash. It was brought on two large palettes straight into the palace compound. Officials from the Central Bank loaded the bales of cash first into a lorry then into the shipping containers that were still standing in for a bank vault.

Curious onlookers from the camp came to watch. After all, it's not every day that \$48.3m in cash arrives at a military base. Word had raced around the city that cash had arrived. People now genuinely believed they would at last get paid. An eerie quiet fell and though the number of protesters at the main gate grew there was now an air of expectation rather than hostility. The tension began to ease.

SADLY it didn't last, although I ended up as the leader of a team of 50 advisers who for 10 months ran the economy of southern Iraq. Hundreds of millions of dollars passed through our hands on its way to Iraqi workers. Usually I went to Baghdad to collect it in a holdall and flew with it back to Basra.

But when the CPA handed over power to Iraqis in 2004 only a tiny team of British advisers remained in Basra. I felt passionately that the UK was abandoning its responsibilities.

Department for International Development personnel arriving in Basra focused on poverty, gender issues and the environment. A new breed of "postconflict" nation-builders had developed in Whitehall. Their aim was to help existing government institutions to take charge of their own countries. The problem in Iraq was there were no functioning institutions to take charge.

Someone had to step into the power vacuum, and it was the militias, who started shooting Iraqis who had worked with us. They soon ran the south, and corruption became endemic in the misuse of aid funds.

Still, there were highlights to my service there. The day I fled in my underpants — to the delight of other officers — on being shot at on the loo. The officious new American colonel who, unlike David Oliver, demanded I send my files by the truckload from Basra to Baghdad before he would release \$32m to me. And the thief who broke into our money store. Intent on attacking the (empty) old safe, he climbed over a large stack of plastic-wrapped bundles without realising that these were "bricks" of \$100 bills. Each contained \$100,000.

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