

1 (12.00 pm)

2 MARK LOWCOCK

3 THE CHAIRMAN: Good morning.

4 MR MARK LOWCOCK: Good morning.

5 THE CHAIRMAN: Reopening this second session of the morning,
6 it is, I am afraid, a short one. We have one hour. The
7 objective is really to hear about DFID objectives for
8 Iraq after 2007 and the challenges to their delivery and
9 we are hearing from Mark Lowcock, who is speaking about
10 his current role as DFID Director General of programmes,
11 which is a post you have held from April 2008 until the
12 end of our terms of reference, which is July last year.

13 We are building on two previous sessions with
14 Sir Suma Chakrabarti and another one with Jim Drummond
15 and Martin Dinham, and it will also pick up themes
16 raised by Simon MacDonald yesterday.

17 Just to trail further witnesses for this week, we
18 have Christopher Prentice this afternoon, an ambassador
19 in Baghdad, and General White-Spunner, Nigel Haywood and
20 Keith Mackiggan, later in the week. We recognise that
21 witnesses are giving evidence based on their
22 recollection of events and we check, of course, what we
23 hear against the papers to which we have access.

24 I remind every witness he will later be asked to
25 sign a transcript of evidence to the effect that the

1 evidence given is truthful, fair and accurate.

2 Since we have an hour, could I ask you, Mr Lowcock,
3 just to start with a brief description of your role in
4 DFID as DG (Programmes).

5 MR MARK LOWCOCK: I am responsible for supervising all of
6 the UK bilateral development programmes around the
7 world. That is about half our total budget, it is
8 a bit more than half our total staff, so it includes
9 Iraq but also south Asia, Africa, other parts of the
10 Middle East and other parts of the world.

11 THE CHAIRMAN: Quite a large patch of ground.

12 BARONESS USHA PRASHAR: Thank you very much indeed.

13 Mr Lowcock, I want to start to talk about your role
14 when you took over in April 2008 and your perspective,
15 as it were, from London, because you -- it is that
16 perspective, because tomorrow we will be talking to your
17 colleagues about the view from the ground, as it were.

18 Can you start by just confirming for me that, when
19 you took over, you had an office in Baghdad and an
20 office in Basra. Is that correct? What was the balance
21 between the work nationally and in the regions in the
22 south?

23 MR MARK LOWCOCK: We also had a substantial team in London.
24 I think the things we were contributing to over that
25 period started with the economy, both on a national

1 level and in Basra. We were continuing to work on the
2 humanitarian situation. We were finishing off our
3 infrastructure programmes in southern Iraq and we were
4 also continuing our capacity building programmes both at
5 the centre and in the south.

6 The biggest thing, I think, for us, certainly the
7 most important, was on the economy. At a national
8 level, our assessment was that the economic situation in
9 Iraq was improving, had improved significantly.

10 BARONESS USHA PRASHAR: When did economy become a priority?

11 MR MARK LOWCOCK: Right. The economy was a priority for us
12 right from the beginning of our engagement, right from
13 2003/2004, and we had parts of our programmes working on
14 economic issues. We had professional economists
15 throughout the period as part of our teams in Iraq.
16 There was additional emphasis given to the economy when
17 Gordon Brown became Prime Minister, and, from July 2007,
18 we were asked to develop new ideas for how to support
19 economic development in Iraq. The first piece of that
20 was on the macro-economy.

21 BARONESS USHA PRASHAR: So there was an actual shift or more
22 emphasis on economic development, or was there
23 a difference in the initiatives that you undertook
24 after June 2006?

25 MR MARK LOWCOCK: I think there was a reinforced focus on

1 economic issues generally, both at the macro level and
2 at the -- as far as southern Iraq is concerned.

3 BARONESS USHA PRASHAR: What did that actually entail both
4 in Baghdad and Basra?

5 MR MARK LOWCOCK: Well, at the Baghdad level, where we were
6 obviously trying to support the Iraqis to manage their
7 macro-economy and their overall economic development
8 together with others in the international community, the
9 IMF, the World Bank, and the US Government in
10 particular, it was essentially reinforcing the progress
11 that had started to be accelerated, I think, from the
12 time when Prime Minister Maliki took office.

13 If you look back at what has happened on the Iraqi
14 economy, in 2004, on the IMF figures, the economy was
15 about 30 billion dollars. I should say the date was
16 a bit of a pinch of salt, but in broad terms the economy
17 was about \$30 billion. By 2008, the size of the Iraqi
18 economy was about \$90 billion.

19 Now, that reflects largely what had happened in the
20 oil sector. Oil revenues for the Government of Iraq in
21 2005 were, I think, \$17 billion, \$18 billion. By 2008,
22 they had got to over \$60 billion. That reflects partly
23 an increase in production, 1.4 million barrels a day in
24 2004/2005-ish. 1.9 million barrels a day exported by 2008/2009,
25 but also the price hike.

1 That then translated into much higher incomes for
2 the Government of Iraq. So one of the things we were
3 particularly focused on was how to manage the
4 macro-economic consequence of that, but also how to
5 translate it into a budget and expenditure, and, as time
6 passed, we thought the Iraqi authorities were getting
7 more effective in doing that. The budget itself, in
8 terms of what was spent, not just the budget nominally
9 set, in 2005 expenditure I think was about \$18 billion,
10 by 2007 that was \$27 billion, by 2008 over \$50 billion.

11 BARONESS USHA PRASHAR: But what were you actually doing?

12 MR MARK LOWCOCK: The things we were doing around that, for
13 example, we had a team of people on an economic reform
14 project based in Baghdad who were advising on budget
15 preparation in 2008, we had people who were working on
16 macro-economic policy issues, we had people who were
17 working on financial management issues.

18 We also were trying to facilitate the dialogue
19 between Iraq and the IMF and the World Bank, who, in the case of
20 the IMF had no resident staff in Iraq. In the case of
21 the World Bank, it had very small numbers, some of whom
22 we were specifically looking after for parts of the
23 period, and we were also working very closely with the
24 US Government.

25 I think one of the other distinctive things that the

1 UK was trying to do was bring together the various parts
2 of the Iraqi Government. A lot of the things that
3 needed to be done required co-ordination between
4 different parts of the government. So if you want to
5 sort out the oil sector, you need to be able to generate
6 electricity to pump the water which will get the oil out
7 of the ground for you. So if the Ministry of Oil isn't
8 talking to the Ministry of Electricity, that is
9 a problem. So one of the big things we were focusing
10 on, and had been for quite a while throughout this
11 period, was making the central government processes work
12 better for Iraqis.

13 BARONESS USHA PRASHAR: So you were basically oiling the wheels
14 for better co-ordination?

15 MR MARK LOWCOCK: Yes.

16 BARONESS USHA PRASHAR: At that time, two things happened.

17 I think there was a Basra support office set up in
18 Baghdad and there was also the Basra development
19 corporation. What was your role in both of these and
20 who were you working with?

21 MR MARK LOWCOCK: The other elements of
22 Prime Minister Brown's economic initiatives, as they
23 developed during the course of the second half of 2007,
24 were announced in late 2007, and began to be put in
25 place in 2008, included, as you say, the Basra

1 Development Commission, which Michael Wareing headed.

2 The biggest contribution that has made, in my view,
3 has been about attracting foreign investment into Iraq.
4 That has been, I think, a very substantial success.
5 There was then a set of activities around building up
6 the capability of the provincial authorities in Basra to
7 use the gradually growing resources that were being
8 channelled down through the system from the central
9 government, and then there was -- there is another
10 dimension which will come to me at the moment about
11 this -- sorry, the Basra support office, you asked me
12 about.

13 BARONESS USHA PRASHAR: Yes.

14 MR MARK LOWCOCK: The Basra support office was in Baghdad
15 and was basically about oiling the wheels, if you like,
16 to get resources flowing from the central government
17 down to the provinces.

18 If you look at the outturn for the Government of
19 Iraq budget for 2008, you see there is a big increase in
20 resources under the capital budget flowing from the
21 centre to the provinces. Basra was a beneficiary of
22 that. There were lots of internal debates in the
23 Iraqi Government about who should get what priority, and
24 one of the things that the Basra support office was set
25 up to do was to facilitate a sensible outcome to those

1 discussions.

2 BARONESS USHA PRASHAR: From your perspective, what were the
3 challenges that you were facing in both these areas, in
4 terms of delivery?

5 MR MARK LOWCOCK: We were trying to, in both Baghdad and
6 Basra, build the capacity of Iraqis to assume more and
7 more responsibility for their own affairs. As time
8 passed, they were keener and keener to do that. In
9 terms of challenges in providing the kind of assistance,
10 there were continuing security challenges. It remains
11 still a challenging security environment.

12 For parts of the period, certainly in Basra, until
13 things had calmed down after the Charge of the Knights,
14 frankly we had limited access to key interlocutors in
15 Basra. We were able to have some ongoing dialogue
16 with them, but that improved a lot by the autumn of 2008
17 certainly. I think those would have been the main
18 challenges really.

19 BARONESS USHA PRASHAR: While you were in this post -- and
20 I'm moving to your particular role -- what took most of
21 your time on Iraq and what was the things that you had
22 to focus on?

23 MR MARK LOWCOCK: Well, one issue is the question of
24 resource allocation, because we -- after the
25 comprehensive spending review in 2007, ministers had to

1 take decisions on resource allocation across the whole
2 of the country programmes, so that was something that
3 took some time.

4 The question of making sure that DFID was playing
5 a corporate role with the rest of government on delivery
6 of especially the economic parts of the agenda, and
7 then, as time passed, we got increasingly into
8 longer-term transition issues. I went, for example, to
9 Basra and Baghdad in November 2008. One of the things
10 we were talking about then was the transfer of
11 responsibilities for the PRT from us to the Americans,
12 we were talking in Baghdad to the World Bank about a new
13 programme we were developing with them to help improve
14 the business environment in Iraq. We were talking also
15 to the UN about continuing needs on the humanitarian
16 side and we were talking to the US Government about
17 continued dialogue with them, especially on economic
18 issues.

19 Then there were, you know, pastoral issues, making sure
20 we could recruit, retain, keep safe and motivate the
21 teams of people we had there and making sure that we
22 were acting and being seen to act in a way which was
23 contributing to the government's overall approach in
24 Iraq.

25 BARONESS USHA PRASHAR: Can I pick up the issue of the

1 corporate role? When we talked to your colleagues
2 before Christmas, both Dinham and Drummond argued that
3 Iraq was an unusual partner for DFID and that you had to
4 adjust your working.

5 Had that happened by the time you were in the job
6 and what adjustments did you have to make?

7 MR MARK LOWCOCK: I think by early 2008 we had addressed in
8 Iraq most of the issues that needed to be addressed in
9 order to enable us to do the things we were being asked
10 to do.

11 There had been a big culture change really, not just
12 for us, but for all development organisations, in
13 dealing with what happened first in Iraq and has now
14 been transferred to other places as well.

15 Before Iraq, the international development business
16 was one which was, largely speaking, in most of the
17 post-Second World War period not subject to military
18 attacks or problems from rebel groups. The bombing of
19 the UN in 2003, dramatically changed all
20 that and has had big consequences for all international
21 development organisations, including us.

22 Now, just to give one example of that, there are
23 about four or five hundred people, UK-based civil
24 servants, who work for DFID who are now based overseas.
25 Between one fifth and a quarter of those are based in

1 countries where it is not safe for them to have either
2 their children, or neither their partner nor their
3 children, and creating a structure which ensures we can
4 recruit, retain and motivate people who, firstly, have
5 the right level of professional skills, secondly, have
6 the right level of personal skills, if you like,
7 resilience and so on, but also have a career structure
8 and can come in and out of challenging environments to
9 more normal environments, if you like, has been
10 a substantial organisational challenge for us, and Iraq
11 was the first characterisation of that. We have had
12 a number of others since then.

13 BARONESS USHA PRASHAR: You think you are making progress in
14 that direction?

15 MR MARK LOWCOCK: Yes, I think we -- one measure is: are we
16 able to recruit people to fill the posts we need to fill
17 with the right level of professional skills in the most
18 difficult environments? Certainly in Iraq and in
19 Afghanistan, we have made a lot of progress on that in
20 the last two years or so. I think it is something we
21 constantly have to adjust and readjust. There are
22 always going to be issues, I think, in finding people
23 with a sufficient degree of seniority who have very high
24 class technical skills, whether it is economists or
25 engineers or health people, who also have the right

1 personal resilience and personal skills, and whose
2 family situation is such that they can serve in these
3 environments.

4 We need terms and conditions and incentives and
5 performance management systems which ensure that the
6 organisation can, you know, provide people, get people
7 to places where we need them in order to deliver what
8 the government's priorities are.

9 BARONESS USHA PRASHAR: Can I look at these sort of
10 joined-up -- you know, across Whitehall? Because
11 Simon MacDonald gave us a impression yesterday that
12 things were working well, there was much better
13 co-ordination.

14 Since you have been in the job, do you find you get
15 consulted at the right time, and are the views in
16 perspective -- the ground that you feed in, in the
17 development of policy, works better than it did before?

18 MR MARK LOWCOCK: In my opinion, Whitehall collaboration and
19 relations, in conflict countries, including in Iraq, for
20 the last two years, have been pretty harmonious
21 actually. I think Simon described to you some of the
22 machinery. There have been some other things as well.
23 The three Secretaries of State, for example, regularly
24 meet informally and identify issues and discuss them.
25 That feeds down through the system.

1 THE CHAIRMAN: Sorry about this. Development Secretary,
2 Foreign Secretary, Defence Secretary?

3 MR MARK LOWCOCK: Yes. Likewise, the three
4 Permanent Secretaries meet regularly. They visited Iraq
5 together at the beginning of 2009. They have visited
6 Afghanistan together. That has a joining up effect. We
7 have also done some things to increase the level of
8 understanding and familiarity, if you like, for our
9 staff with the way the MoD works and the way the FCO
10 works. So I would say -- there are always differences
11 of view. There are equally differences of view within
12 departments, and that creative process is something that
13 is important in any organisation, but I would say it is
14 pretty harmonious.

15 BARONESS USHA PRASHAR: Given the fact there has been a lot
16 more emphasis on economic initiative and economic
17 development, what has been the input of UKTI? Have they
18 collaborated?

19 MR MARK LOWCOCK: The first goal we had in respect of
20 investment and broadening the role of the private sector
21 in Iraq, which was reflected in the Prime Minister's
22 economic package in October/November 2007, was to get
23 international investors in general to come into Iraq.

24 Simon talked to you yesterday about the three
25 conferences. The London conference had 250

1 international businesses. It was quite right that DFID,
2 I think, was asked to play the lead role in that,
3 because it was about supporting Iraq's development and
4 an international role in that.

5 Now, UKTI obviously have responsibilities in respect
6 of British investors and promoting British commercial
7 interests, and one of the evolutions over the past
8 18 months has been that they have played an increasing
9 role in respect of the investment agenda.

10 We facilitated them, with the Foreign Office and others,
11 to have a presence in Basra, for example, and I think
12 subsequently -- Christopher Prentice will be able to
13 tell you more about this than I can -- also in Baghdad.
14 But there is a difference of role between DFID and UKTI
15 and there has been, in respect of investment, quite
16 a natural transfer.

17 BARONESS USHA PRASHAR: My understanding is the Secretary of
18 State, Douglas Alexander, expressed frustration about
19 UKTI's lack of engagement.

20 MR MARK LOWCOCK: I think there have been occasions all
21 through this where many bits of government have been
22 keen to see other bits of government move even faster,
23 and I'm not sure there was anything particularly unusual
24 or different about that. I think the fact is that UKTI
25 have moved in a little bit to work in Iraq.

1 Equally, I think, you know, it will probably be the
2 case to say that some people thought we in Basra,
3 immediately after Charge of the Knights, might have been
4 able to move a bit faster than we did. We thought we
5 took a measured approach. Certainly by the autumn of
6 2008, when I was there, there was a very engaged
7 civil/military collaboration. So I think it is
8 important not to overstate those kinds of things that
9 you can pick up, I know, from parts of the record.

10 BARONESS USHA PRASHAR: You said earlier that now the three
11 Secretaries of State and the three Permanent Secretaries
12 meet, but during the course of our deliberations, we
13 have heard from the military about their frustrations of
14 working with DFID.

15 Have those been ironed out now, and would you say
16 you have identified where those frustrations stemmed
17 from?

18 MR MARK LOWCOCK: My impression is you have heard a mixture
19 of different views from different witnesses. I haven't
20 read it all, actually, but certainly I think one of the
21 things General Cooper said to you was that he
22 recognised it was very important that DFID took
23 a long-term approach and that we had a strong focus on
24 building the capacity of Iraqis, trying to keep the
25 whole system focused on the goal, which was about, not

1 us running Iraq, but Iraq running its own affairs.

2 It is certainly the case that at various moments
3 there were tensions. Individuals and personalities
4 matter as well as systems and processes. My own
5 assessment has been, as I said earlier, that all of this
6 has improved over the period. It is impossible to live
7 in a debate-free world. It would be undesirable to live
8 in that world as well.

9 My own view is, as I said, both in Iraq for the last
10 two years, but also in other fora, collaboration has
11 been pretty good.

12 BARONESS USHA PRASHAR: I agree with you that it can't be
13 debate-free, but they are not the kind of
14 frustrations -- it is not a dysfunctional relationship,
15 in the sense that there is a better understanding, would
16 you say?

17 MR MARK LOWCOCK: Yes.

18 BARONESS USHA PRASHAR: Can I move on to the Charge of the
19 Knights which you mentioned. We heard this morning that
20 it was unexpected, that it provided both challenges and
21 opportunities.

22 From your perspective, what were the challenges and
23 opportunities provided by this event?

24 MR MARK LOWCOCK: I think the main thing we were focused on
25 after Charge of the Knights was the extent to which it

1 would be possible to reinforce efforts we had been
2 making for some time to increase the capacity of the
3 provincial authorities in Basra to deliver more services
4 and to improve the infrastructure for the people of
5 their region.

6 We were certainly very focused on wanting to ensure
7 that there was an Iraqi-led, Iraqi-chosen set of paths
8 to do that, after Charge of the Knights. We, I think,
9 drew some comfort from the fact that, as Simon said to
10 you yesterday, more money flowed down through the Iraqi
11 system. I think there was another \$100 million in
12 development resources which pretty quickly started to
13 flow through the system, but also that the provincial
14 authorities in Basra had their own set of proposals
15 about what they thought the needs were and there was, of
16 course, a vibrant internal debate among the Iraqi
17 technocrats and political leaders, too, about what the
18 real choices should be and there were some Basra/Baghdad
19 debates.

20 But one of the things we were trying to do was, as
21 far as possible, reinforce the Iraqi-isation of the
22 civilian effort in Basra taking the opportunity provided
23 by a better security environment after the Charge of the
24 Knights.

25 BARONESS USHA PRASHAR: That's what Maliki expressed. He

1 wanted Iraqi-isation and the focus on all Iraq, as it
2 were. But what dynamics do you think we had set in
3 train by focusing on in the south? What effect did that
4 have?

5 MR MARK LOWCOCK: Well, as Martin Dinham discussed with you,
6 the south of Iraq is poorer as a result largely of the
7 residue of the Saddam Hussein era than much of the rest
8 of the country. It also sits on most of the oil. So
9 you know, a fantastically important question for the
10 political settlement of Iraq as a federal country is the
11 revenue sharing and how revenue flows to the south in
12 a national context, particularly given that the economic
13 needs of the south of Iraq, even relative to other parts
14 of the country, were acute and less well met in the
15 first years of the last decade. So I think that was an
16 important part of the dynamic.

17 BARONESS USHA PRASHAR: But did you feel that you had the
18 advantage of having an office in Baghdad and did that
19 actually help?

20 MR MARK LOWCOCK: We, throughout the period, felt very
21 strongly that working at the national level was
22 an extremely important thing to do from the perspective
23 of the economy and also in the interests of the south as
24 part of a federal country. So working at the national
25 level was important, both for Iraq as a country, but

1 also for the prospects of Basra.

2 So I don't think there were tensions or
3 difficulties. The reason we created the Basra support
4 office in Baghdad was because the flow of resources from
5 the centre was so important to the south, given the
6 federal nature of the system.

7 BARONESS USHA PRASHAR: But what was the impact of that
8 security situation for the Charge of the Knights on your
9 delivery and how did you cope with that?

10 MR MARK LOWCOCK: Well, until part of the way into 2008, our
11 access into the city of Basra was restricted, as Simon
12 said to you yesterday, and, of course, that limited the
13 degree to which we were able to spend as much time as we
14 would ideally have liked to have done with counterparts
15 in the provincial government.

16 People developed, as others have said to you,
17 creative work rounds for that. But in an ideal world,
18 the people who were working on the DFID programmes would
19 have had much more time to interact directly with their
20 counterparts. Obviously, as the security has improved,
21 that has been more possible.

22 BARONESS USHA PRASHAR: So you were actually working in
23 a restricted environment before the Charge of the
24 Knights?

25 MR MARK LOWCOCK: Before the Charge of the Knights I think

1 the environment was pretty restricted.

2 BARONESS USHA PRASHAR: Then afterwards, what change took
3 place?

4 MR MARK LOWCOCK: Access was better. I think probably the
5 biggest thing was just the general security environment
6 in the whole province. That was one of the things that
7 reignited investor interest, for example, and if you,
8 you know, chart the path from the announcement of the
9 economic initiatives in late 2007 and the way all of
10 that accelerated, so that by the end of 2008 I think
11 there had been 18 visits by major investors and
12 something like \$9 billion worth of deals identified
13 through the programmes that we were running and the
14 conferences and so on, a number of things contributed to
15 that.

16 The increasing stability of the political situation,
17 albeit of a continually fragile nature, improvements in
18 security, nationwide for Iraq, obviously the external
19 dimensions to do with what has been happening in the
20 global oil sector and Iraq's terrific resource base
21 there. Plus, of course, security in the south. All of
22 those things came together to improve the environment.

23 BARONESS USHA PRASHAR: I mean, DFID tends to put a lot of
24 emphasis on good governance and obviously there was
25 increasing corruption among the officials. How did you

1 deal with that?

2 MR MARK LOWCOCK: We have put some emphasis over a number of
3 years and retained it in our current, most recently
4 approved economic and governance support programmes to
5 financial management. I think this is a big challenge,
6 frankly, and it is a challenge in every country and it
7 is not solved quickly in any country. There has been
8 some progress. For example, the accounts of the Central
9 Bank of Iraq and the foreign exchange account are
10 audited pretty quickly now. The capacity of the Council
11 of Representatives to scrutinise the budget has been
12 improved. One of the things we have done is to try to
13 build the capacity of the Finance Committee in the
14 Council of Representatives to do that.

15 Public financial management is a major part of our
16 current technical assistance programme, but the
17 challenges are substantial.

18 BARONESS USHA PRASHAR: Is there a way you measure what
19 progress is made? I know it is not a very easy area.
20 How do you measure whether you are making progress in
21 that area?

22 MR MARK LOWCOCK: There are a number of metrics which are
23 used. One is quite well-known international indices of
24 perceptions of corruption, which is, you know, business
25 people, other people in lots of countries --

1 BARONESS USHA PRASHAR: Because of what you are doing in
2 Iraq?

3 MR MARK LOWCOCK: Yes, Transparency International run an
4 index. The World Bank and the IMF have various tools
5 which diagnose the state of financial management in lots
6 of countries, so you can both look at trends over time
7 and you can draw cross-country comparisons, and it is
8 fair to say that the challenges in Iraq are still
9 substantial.

10 BARONESS USHA PRASHAR: You talked earlier when you talked
11 about your own particular time spent and you said you
12 spent considerable time working with the World Bank and
13 getting them to engage.

14 When we talked to your colleagues, I think it was
15 Martin Dinham who considered it a failing that we didn't
16 get the World Bank more involved early on in Iraq. Do
17 you think it really was a failing that we didn't get
18 them involved?

19 MR MARK LOWCOCK: I think, had it been possible for the
20 World Bank to engage more fully, that would have been
21 a good thing for Iraq. It is a continuing source of
22 frustration.

23 Of course, their position was heavily affected by
24 the 2003 bombing. I think, in all honesty, the
25 appointment of Paul Wolfowitz as the President of the

1 World Bank subsequently complicated matters for a period
2 and the way in which he left his post at the World Bank
3 again complicated matters, but I do think there are some
4 systemic organisation-wide issues that the World Bank
5 needs to address to enable it to engage more effectively
6 in conflict situations.

7 BARONESS USHA PRASHAR: They are?

8 MR MARK LOWCOCK: For example, they need human resource
9 systems which incentivise people, especially
10 professionally qualified staff, to go and work in these
11 environments. They need levels of delegation which
12 allow people on the ground locally to be more responsive
13 to clients. I would draw a distinction, if I may, with
14 the UN, a lot of whose agencies I think have adjusted
15 actually very impressively to working in very difficult
16 environments and that is a continuing source of dialogue
17 between us and the World Bank.

18 BARONESS USHA PRASHAR: We are stakeholders in the
19 World Bank. What have you done to actually influence
20 them and get more involved and change their direction?

21 MR MARK LOWCOCK: We have a very energetic dialogue with the
22 World Bank on this. It is slightly complicated in the
23 case of Iraq because initially Iraq was not borrowing
24 money from the World Bank. If you are borrowing from
25 the bank, that creates all sorts of internal incentives

1 in the institution -- which leads to
2 more engagement by the staff of the institution and the
3 management of the institution. Then for a period, there
4 was money available from the soft concessional arm of
5 the World Bank, the International Development
6 Association, and after that they have been in
7 a discussion actually also together with the IMF about
8 the possibility of more financial support to help with
9 the volatility arising from the current macro-economic
10 turbulence.

11 I think, in fairness, I would say that there are
12 other places where the World Bank's performance in
13 difficult environments has been much stronger. So in
14 Afghanistan, for example, I think they can, you know, be
15 proud of the contribution they have made over recent
16 years. So there are some organisation-wide issues and
17 then there are some issues affected by personalities in
18 different places, by the particular idiosyncrasies of
19 a particular country and maybe by local level
20 management.

21 But it is a topic that is, for example, high on the
22 agenda for us as we look at the next replenishment of
23 the soft arm of the World Bank, for the poorest
24 countries, not Iraq, but the likes of Afghanistan.
25 Trying to create incentives for the World Bank to be

1 more effective in the post-conflict countries is one of
2 the things we will be doing and we will be using our
3 financial contributions to promote that.

4 BARONESS USHA PRASHAR: So this is work in progress and the
5 lessons learnt from this will be fed into that dialogue?
6 Thank you.

7 THE CHAIRMAN: Just lingering on this for a moment, I think
8 Martin Dinham's words were something like it was
9 a failing that we didn't get the World Bank more
10 involved, "we", the UK, but actually, from your
11 description, it was the World Bank's failure, that it
12 was not, as it were, constructed in a way that enabled
13 it to remain involved, particularly after the bombing in
14 2003.

15 MR MARK LOWCOCK: Yes, the bank is owned by its
16 shareholders, and the UK is a shareholder and others are
17 shareholders. So it is a collective -- it is an issue
18 that needs to be addressed in a collective way.

19 THE CHAIRMAN: Okay, fine. I'm not myself an economist, but
20 I'm interested in the distinction between the UK's
21 contribution in terms of pure financial support, if
22 there is such a thing as pure, as contrasted with
23 capacity building and all the rest of it.

24 The UK resources are inevitably -- financial
25 resources -- dwarfed by those of the US, and indeed by

1 Iraq's own burgeoning oil revenues. Is it possible to
2 generalise at all about the differential impact of our
3 capacity building work, on the one hand, and our
4 directed aid effort, financial aid effort?

5 MR MARK LOWCOCK: Most of the £740 million or so that we
6 have spent over the last seven or eight years has been
7 financial transfers either to the trust funds or to the
8 humanitarian agencies or on the infrastructure
9 programmes. So the bulk -- I mean, I can give you
10 a personal assessment of what are the biggest impact
11 things we have done.

12 THE CHAIRMAN: Yes, we would like that.

13 MR MARK LOWCOCK: My personal assessment is that getting the
14 macro-economy right and enabling Iraq to manage its
15 growing budget effectively and enabling Iraqis to run
16 their own affairs by better co-ordination at the centre
17 of government level, more effective process in the
18 Council of Ministers, all those things, in my
19 assessment, are, you know, perhaps the most important
20 thing to do for the long-term goal of building a capable
21 state in Iraq able to, you know, look after itself.

22 THE CHAIRMAN: Thank you. Another related question from
23 a non-economist. It struck me from your earlier
24 description, and it struck me before, that the high
25 volatility of revenues from oil to the Iraq economy, as

1 a whole, extremely volatile, is a very unbalanced
2 economy. Even if you had highly experienced government
3 systems and personnel, managing that, through time,
4 would be exceptionally difficult. So our capacity
5 building in that regard is (a) vital, but also itself
6 difficult to bring off.

7 MR MARK LOWCOCK: Yes, I think that's right, and of course
8 there are lessons from other places about how to deal
9 with volatile income streams and they were transferred
10 to Iraq through the IMF and so on. You know, one of the
11 things the Iraqi authorities did was build up very
12 substantial reserves, especially from 2008, but also
13 a bit before that, and, you know, frankly, we --
14 I remember, when I was in Baghdad in late 2008, worrying
15 a little bit about whether the size of the supplementary
16 budget that had been set was going to be sustainable,
17 given what was happening in the global oil markets.

18 Now, the fact that they had, I don't know, \$30 billion
19 or \$40 billion of reserves enabled them to get through
20 that. I think now the way they manage it is in line
21 with good practice: they set the budget on the basis of
22 quite cautious forecasts of the future oil price and
23 they have still substantial reserves, so they have an
24 ability to cope with shocks, and of course if the
25 political/security situation is sustained and depending

1 what happens in the oil markets, their ability to grow
2 the production is enormous.

3 The other part of your question is about the breadth
4 of the economy, and there is a choice for countries
5 which have big resource endowments; it is possible to
6 not worry too much about the rest of the economy and to
7 support the population through a public system. Now,
8 each country needs to make its own choice about the
9 desirability of doing that, particularly if there are
10 very large numbers of younger people coming on to the
11 labour market and the implications for social cohesion
12 and so on. That's a big issue the people of Iraq will
13 need to address. We think developing the wider private
14 sector is an important thing to do, which is why that is
15 now a significant part of our assistance programme.

16 THE CHAIRMAN: Going back to what Baroness Prashar was
17 asking earlier about the all-country/south balance, we
18 had a Basra-focused presence office in Baghdad, seeking
19 to ensure proper allocation of resources on the
20 interregional basis. Were there other competing
21 interests similarly institutionally represented, apart
22 from Iraqi politicians themselves representing the
23 Kurdish north or whatever?

24 MR MARK LOWCOCK: Not that I am aware of really.

25 THE CHAIRMAN: Where I was leading to was whether we were

1 seen almost as a sort of cuckoo in the nest on Basra and
2 the south's behalf, and did that inhibit in any way our
3 attempt to ensure capacity building at the
4 macro-economic level in the finance ministry and
5 elsewhere?

6 MR MARK LOWCOCK: No, I don't think there was any inhibition
7 that I am aware of of that sort. Christopher Prentice
8 is better qualified than me to comment on the way our
9 involvement in Basra was perceived at a central level
10 but, you know, Basra is a province of Iraq, so all
11 Iraqis have an interest in seeing stability and progress in
12 Basra as well as the rest of the country.

13 THE CHAIRMAN: Sure. Okay. I would like just to ask a few
14 questions about the post-Charge of the Knights
15 environment for our activities, particularly in the
16 south, obviously. DFID's business in the south,
17 although there were short-term projects with the
18 Development Commission work that you supported and the
19 rest of that, this is essentially looking to the
20 afterwards, to the long-term future and wellbeing of
21 Iraq as a country and the south within it.

22 By contrast, did you find, as it were, any tension
23 between MoD policy, properly defined and decided, which
24 really meant we would reduce as quickly as we could to
25 a small training effort after withdrawal from combat

1 responsibility and security responsibility, and the FCO
2 looking to normalise, as with any other bilateral
3 relationship?

4 MR MARK LOWCOCK: No, I don't recall there being major
5 problems arising from those different perspectives.
6 I think they were all part of a consistent approach to
7 helping Iraq over time, you know, deal with its own
8 affairs in a more normal way.

9 THE CHAIRMAN: In the medium to longer term, will DFID no
10 longer have a priority interest in Iraq? Here is
11 a potentially extremely wealthy country; it already has
12 considerable professional class skills and the rest of
13 it. In five to ten years' time what are we doing there?

14 MR MARK LOWCOCK: Ministers will need to take a view of that
15 in due course.

16 THE CHAIRMAN: Sure.

17 MR MARK LOWCOCK: The thing I would say is there aren't many
18 countries which aspire forever to be a client of DFID or
19 the World Bank. Countries want to graduate, and that's
20 what we want to support. You know, victory for us is
21 moving on and -- so we are not, you know, precious about
22 that at all, and I think that the Iraqis themselves have
23 made it pretty clear that they want to move to
24 a different kind of relationship with the UK, and
25 I think that's a good thing.

1 THE CHAIRMAN: Are they in any sense a demander to this day
2 for DFID's contribution?

3 MR MARK LOWCOCK: Well, I think that they have valued the
4 contribution we have made.

5 THE CHAIRMAN: Have made?

6 MR MARK LOWCOCK: Yes. We are -- as you know, the programme
7 is reducing in size, and in the current financial
8 year -- we will spend a little bit more, probably,
9 because we want to put a bit more money
10 into the humanitarian area and into finishing our
11 infrastructure, but I'm talking about a few millions of
12 pounds, not vastly different sums than we had
13 originally intended to, but we are talking about kind of
14 £20 million from the DFID programme, probably a bit less
15 next year, and that's on a rational graduation path.
16 Exactly how long we sustain a programme will be a matter
17 for further discussion, especially with the government
18 of Iraq.

19 Perhaps I should just say one other thing --

20 THE CHAIRMAN: Please do.

21 MR MARK LOWCOCK: -- about that. We have an objective also
22 to internationalise and to improve the role of the UN,
23 the World Bank and the IMF. So a lot of the issues that
24 Iraq will need to deal with, for example in the oil
25 sector, may be best facilitated by multilateral

1 organisations, which can't be viewed as parti pris on the
2 outcomes.

3 THE CHAIRMAN: Thank you. I'm tempted to ask -- but I won't
4 but I will just state it -- I don't know whether the US
5 perspective of the engagement of the World Bank and
6 other international institutions in the Iraq context
7 will be the same as our own. You noted
8 Paul Wolfowitz's --

9 MR MARK LOWCOCK: Well, we have talked, together with the
10 US Government, to the World Bank, and certainly the US
11 have been very keen to support the engagement of the
12 IMF. The US are the most important shareholder in the
13 World Bank. The last time I was in Baghdad and
14 discussed this with the economic ambassador in the US
15 embassy there, we were in exactly the same place on it,
16 and I think there has been dialogue between the offices
17 of the UK director in the World Bank and the US director
18 and I'm not aware of us being in a very different place
19 on the future role of the World Bank.

20 THE CHAIRMAN: Thank you. Usha, you wanted to ask
21 something?

22 BARONESS USHA PRASHAR: Yes. I mean, I was interested, when
23 you were talking in terms of the sort of legacy that you
24 want to leave behind -- and we have heard again this
25 morning about what success would mean. How would you

1 say what success would look like for you, because in
2 a way there are difference in terms of short term and
3 long term.

4 MR MARK LOWCOCK: I think from a development and economic
5 perspective success is a politically stable, secure,
6 democratic Iraq which is able to make the best use for
7 its people of its substantial natural resources and to
8 develop its economy and to be an economic force for good
9 in its region. That would be what we would like to see
10 from a development and economic perspective.

11 THE CHAIRMAN: Okay.

12 I think I would like to move the questions to the
13 end of our own terms of reference, which is July 2009,
14 but I think we are entitled to peer a little bit over
15 the wall into the further future. You said already,
16 looking back, your personal assessment of DFID's
17 contribution up until now, but you also touched on the
18 inevitable problems and challenges that do arise in
19 attracting staff to work in difficult environments and
20 all the rest of it.

21 Is there a broad UK lesson that we still have to
22 learn completely about constructing a set of terms,
23 conditions, incentives, whatever, to enable us to fulfil
24 for the future the kind of responsibility we have had in
25 Iraq?

1 MR MARK LOWCOCK: I think the creation of the post-conflict
2 reconstruction unit, which then became the Stabilisation
3 Unit, in 2004 and its subsequent operation and -- as you
4 know, DFID houses it, largely finances it and also
5 increasingly the conflict pool money goes into it.
6 I think that was a very important thing to do.
7 I think -- I described to you earlier the challenges we
8 face in ensuring that we can get staff with the right
9 skills, personal qualities and -- who want to have
10 a long-term career to provide the right kind of mix of
11 opportunities. I think that is going to be a continuing
12 challenge to us. We are not a big organisation, as you
13 know, we were a 3,000-person organisation
14 in 2003, we are now 2,400. A lot of our staff overseas
15 are in very difficult environments. Our admin budgets,
16 as for the whole of government, are constrained and this
17 is something that managerially we pay a lot of attention
18 to and we will need to make sure we get right for the
19 future.

20 THE CHAIRMAN: I don't know whether this is a fair question
21 rather than an observation, but the stabilisation unit
22 attempted to construct a list of potential contributors.
23 It is the sort of thing that fades quite quickly over
24 time unless it is refreshed either by fresh events and
25 new places, but as programmes are completed and we move

1 to other places, it will tend to degrade unless it is
2 very actively refreshed and kept up-to-date. Do you
3 have any concerns about that?

4 MR MARK LOWCOCK: It is not the current problem. You know,
5 there is a lot of demand for stabilisation unit
6 resources in Afghanistan, but in a number of other
7 countries as well. I think you are right in the longer
8 term. If we are not involved to the same degree in
9 these kind of difficult environments, there would be
10 a risk of that. On the other hand, you don't want to
11 maintain redundant capacity unnecessarily either. So
12 there is a balance to be struck, which we will have to
13 manage as we go along.

14 THE CHAIRMAN: In the context of establishing a more
15 amenable set of terms and conditions to match duties of
16 care, we heard it only this morning, we have heard
17 before police contribution is a particularly difficult
18 one, and there are questions about the United Kingdom's
19 policing model as to how far it is usable in other
20 contexts. But it struck me, as that was being said to
21 us, that your own staff and locally engaged staff also
22 have particular interests and exposure, because -- to be
23 effective, I take it, they have to relate locally with
24 local people, more than others.

25 MR MARK LOWCOCK: I think that's right. I think, you know,

1 DFID over the last six or seven years has made a big
2 investment in hiring more professional staff within the
3 countries in which we work. We rely very much on their
4 expertise, knowledge and so on. We have a substantial
5 duty of care to them. In Iraq, from the period in which
6 I have been supervising it, we haven't had many Iraqi
7 nationals in our team. We did earlier on and then it
8 stopped being possible. In a number of other places we
9 do. Both because we have a duty of care and because
10 they are most central to our being able to be effective,
11 we have to be able to be an attractive employer for
12 those people, which means we have to, in their eyes, be
13 able to look after them when they need looking after.

14 THE CHAIRMAN: I'm making an assumption here. I do not know
15 how far it is right, but part of the fulfilment of
16 DFID's general objective is to engage local staff
17 because it is in itself an economic contribution. It
18 builds civil society more than, for example, the
19 building or rebuilding of a police service, for example.

20 MR MARK LOWCOCK: I'm not sure. We are not a big employer,
21 obviously. Globally we have 850 local staff. We do
22 find that people come and work for us and then tend to
23 be very attractive to other environments.

24 One of the biggest things we are trying to do in
25 lots of countries is build the capacity of those

1 countries' institutions and that obviously engages us
2 with much, much larger numbers of the working population
3 of the country, but I wouldn't overemphasise our role as
4 an employer in countries.

5 THE CHAIRMAN: Thank you. I think that's done with the
6 questions that were in my mind to ask. Usha, do you
7 have any more you wanted to take up?

8 BARONESS USHA PRASHAR: Yes. There was one question when
9 you were talking about working with international
10 organisations and trying to influence them, because,
11 again, during the course of this, we have heard that,
12 given the scale of our operation generally in Iraq, we
13 were very much in the arena of influencing the
14 Americans. How did you find that, working with the
15 Americans, and were we able to exert influence and
16 change their perspective or get them to do things
17 differently?

18 MR MARK LOWCOCK: I think it evolved over the period.
19 Martin and Jim talked to you a bit about the particular
20 challenges in the CPA period, for example. I think if
21 you look now at the US approach to working on the
22 development and economic dimensions in conflict
23 environments, you see a big evolution towards the kind
24 of things that we have been advocating.

25 So within Iraq -- I know you have read the Hard

1 Lessons report -- that describes how, towards the end of
2 the period, the focus was on building Iraqi capacity.
3 If you now look at what the US Government is doing in
4 terms of their future intentions for Afghanistan and
5 Pakistan, for example, they have made clear that they
6 want to work and put more of their resources through
7 national systems, have a stronger focus on building
8 national capacity, less on supplying their own capacity.

9 So I think there has been a kind of move towards
10 similar sorts of philosophy. I think that's probably
11 quite a long journey to be translated in practice in
12 every environment in a consistent way, but the direction
13 of travel, I think, is pretty clear, at least under the
14 current administration.

15 BARONESS USHA PRASHAR: Okay.

16 THE CHAIRMAN: Thank you. I think we are coming to the end.

17 I wondered whether there are any particular areas that
18 you would have liked to speak to us about that we
19 haven't touched on so far. It is not, of course, the
20 last DFID witness session, but ...

21 Right. In that case, do my colleagues have any
22 further questions?

23 SIR MARTIN GILBERT: I do. The humanitarian issue had of
24 course been a major DFID concern before March 2003 and
25 you mentioned both to Baroness Prashar and also to the

1 Chairman that this was still an issue -- was still an
2 issue in 2008 and that you wanted to do more in that
3 area. I wondered what were these issues specifically
4 for DFID in 2008 and how you were tackling them.

5 MR MARK LOWCOCK: There are still 4.5 million people who are
6 either internally displaced -- that's the bulk of
7 them -- or refugees in neighbouring countries, mostly
8 Syria and Jordan, 15 per cent of the population who are
9 in a significant part reliant on the international
10 humanitarian system. There is some gradual flow back
11 particularly of refugees, but it is not taking place at
12 a fast pace. So that means the UN,
13 who, with the Red Cross, are the main providers
14 supporting the Iraqis' own efforts of humanitarian
15 support, have been running bigger appeals than a lot of
16 people were expecting they would need to run, given the
17 wider progress. That's why you know, last year and this
18 year we have been doing, I think, roughly
19 15 to 20 million pounds of humanitarian grants to the UN
20 and the Red Cross.

21 I think, over time, given Iraq's own fiscal
22 position, that one would expect that they would be able
23 to resource more of that themselves. They may well --
24 they could take a choice that they would like to
25 continue to use international organisations as the

1 delivery agent. So over time, I would expect that
2 external financing to fall, but there is a significant
3 unmet need.

4 There is also a role that humanitarian agencies play
5 on human rights issues, on principles of how excluded
6 groups, vulnerable groups, are looked after and dealt
7 with and we have wanted to continue to support the work
8 of the UN and the Red Cross in those areas.

9 SIR MARTIN GILBERT: They approach you and you decide --

10 MR MARK LOWCOCK: They launch appeals. We have a constant
11 dialogue with them. We are not simply responding to
12 them. We are engaged in a continuing dialogue.

13 SIR MARTIN GILBERT: Right, thank you.

14 THE CHAIRMAN: Thank you. Lawrence?

15 SIR LAWRENCE FREEDMAN: Just one very brief question. We
16 have heard from military witnesses and discussed this
17 morning the question of the balancing between
18 Afghanistan and Iraq. You are obviously in a different
19 situation to them, but I just wondered how much of
20 a challenge you found this in terms of your resources?

21 MR MARK LOWCOCK: After the 2007 spending review, we took
22 a set of decisions for our future budgets for all of the
23 country programmes for the years 2008/2009 to 2010/2011.
24 The total budget over that period is growing from
25 2.2 billion pounds for country programme to

1 2.6 billion pounds. The Iraq programme is falling, as
2 I said earlier, the Afghanistan programme and some other
3 programmes, for example Pakistan, Yemen and a number of
4 programmes in Africa for which ministers have made other
5 commitments, are growing.

6 Now, in respect of the Iraq/Afghanistan choice, if
7 you like, naturally it wasn't just about those two
8 countries, but if you would like me to rationalise the
9 approach we have taken in those two countries,
10 Afghanistan is able to generate revenue of about
11 \$1 billion from its domestic resources this year. They
12 have only just passed the \$1 billion revenue mark. The
13 population of the two countries is about the same.
14 Iraq, as I said earlier, 2008, over 60 billion, 2009,
15 40 billion, so in Iraq it is really not about the money.
16 Whereas in Afghanistan the money is a very important
17 dimension.

18 So I mean, we have a formalised system for analysing
19 what the needs of countries are. We have an econometric
20 model which we run. The Ministers then make judgments
21 and they publish future budgets, but that's the kind of
22 thought process in respect of Afghanistan and Iraq
23 versus other bases that we have been through.

24 SIR LAWRENCE FREEDMAN: Just to what extent has the
25 experience of Iraq and the very particular problems that

1 you faced there in the earlier periods affected the way
2 that you have gone about your business in Afghanistan?

3 MR MARK LOWCOCK: Well, I think there are things about the
4 strategy, which are the importance of sticking true, if
5 your goal is to build up the local capacity, to work
6 through local institutions, Iraqi-isation or
7 Afghanisation, and try to keep on strategy, which, given
8 day-to-day pressures, can sometimes be a challenge.
9 That's a very important lesson.

10 There are things about the workings of the
11 international system, which I discussed a bit with
12 Baroness Prashar, the organisational effectiveness of
13 the World Bank and the UN, the continuing agendas there.
14 There are things about our own organisation and how we
15 run our own organisation, the skills we need and the
16 training we need to give people, and the familiarity
17 with other parts of government, and a lot of lessons
18 have been transferred from Iraq to Afghanistan and to
19 one or two other places.

20 SIR LAWRENCE FREEDMAN: Thank you.

21 THE CHAIRMAN: Thank you, Mr Lowcock. We are very grateful
22 for your evidence, and thank you to those who are here
23 throughout the morning.

24 At 2 o'clock we resume with Christopher Prentice,
25 the ambassador in Baghdad at the relevant time. Until

FINAL