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Iraq targets hydrocarbon progress and economic diversification

by David Gibson

Stacks of freight containers at Umm Qasr port in Basra: Iraq's economy is expected to expand by 10.6% in 2013 and 9.2% in 2014

A brand new USD 357bn five-year investment programme of development projects has been devised by the Iraqi government, aiming to lessen the burden on the oil industry and develop the industrial sector in a country heavily reliant on hydrocarbon revenues. The scheme, announced in September, runs from 2013 until 2017, foreseeing an investment focus on five specific sectors: building & services, agriculture, education, transport & communications, and energy. 79% of the proposed investment is to be provided by the government, while the remaining 21% will emanate from the private sector.

Under these ambitious plans, oil revenues are planned to reach USD 662bn over the same period, with production forecast to triple from 3.2m barrels per day (bpd) in 2012 to 9.5m bpd in 2017, crude exports to increase from 2.6m to 6m bpd, and crude oil export storage capacity to rise from 11 to 30m barrels. To supply the appropriate perspective for the enormous scale of the new plans, non-oil revenue should amount to under USD 40bn in this same time frame.

At first glance, Iraq's economy is already performing well. Growth hovers around the 9% mark, inflation has halved to 3.6% in the last two years, GDP per capita is rising, foreign reserves at the central bank amount to a healthy USD 70bn, and a 4% GDP fiscal surplus in 2012 demonstrates the strength of oil exports in the nation with the fourth-largest conventional oil reserves in the world. Moreover, foreign debt is now largely non-existent, having been written off in 2004 by the sovereign debtors of the multinational Paris Club.

Globally, Iraq is set to lead the rankings as the world's fastest growing economy ahead of

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