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## **BASRA - ECONOMIC INITIATIVE PROGRESS REPORT**

### **Summary**

**Good early progress at provincial and national levels on key aspects of the Prime Minister's Economic Initiative, in particular on the critical issue of Iraqi ownership. But there is still some way to go, including achieving further clarity between the centre and provincial levels. Work on the practical steps to set up the institutions is in hand. Our work has prompted the Government to establish a complementary National Development Fund.**

### **Detail**

- 1. Slowly but surely, with the support of the UK Provincial Reconstruction Team (PRT) and DFID, the Basra Provincial Council is making progress on economic management and investment issues. Since the Prime Minister's letter to PM Maliki in July, momentum has been generated and progress made on a number of fronts:**
- 2. Provincial Development Strategy With the assistance of the UK Provincial Reconstruction Team (PRT), a new Strategy and Resource Statement have been agreed which prioritise the establishment of an investment agency, a development fund and improvements to Basra airport. The flow of funds from Baghdad is also starting to increase.**
- 3. Basra Investment Promotion Agency (BIPA): The Baghdad government and the Provincial Council have together agreed on the broad shape and purpose of**

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**BIPA, namely to identify investment opportunities, provide advice to business and government and implement programmes to stimulate private sector development. At the same time we are helping the Council take forward plans for the physical establishment of the Agency.**

**4. Basra Development Fund (BDF): The Provincial Council has agreed to establish a Development Fund to provide investment and credit for small and medium sized enterprises. More importantly, it has agreed to resource the Fund from its 2008 budget (including both running and capitalisation costs).**

**5. Basra International Airport: The PRT is also assisting the Provincial Council to generate an investment plan and budget for the upgrading of the airport, with Iraqi funds, to meet international standards.**

**6. At national levels, there has also been some progress. A National Investment Commission is also being established by the Government of Iraq. While its purpose, we understand, will be to oversee provincial investment commissions, it is still not clear how this institution will interact with BIPA. We are working with central government to resolve this. In addition, the Government has announced its intention to set up a National Development Fund to provide loans to small enterprises across the country.**

**7. Conclusion: Good progress on BIPA and some progress on BDF. But we are not out of the woods yet. The next few months will be critical for both BIPA and the BDF - in terms of maintaining and increasing Iraqi**

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ownership, as well as Iraqi delivery against their stated commitments. Effort will be required in both Baghdad and Basra to make these key planks of the Prime Minister's Initiative a reality. But together with the PRT in Basra and the DFID team in Baghdad, we are well placed to drive forward.

**DFID**

**5 September 2007**

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