

مركز البيدر للدراسات والتخطيط

Al-Baidar Center For Studies And Planning



Report Summary

The National Strategy for Bank Lending (2024–2029) in Iraq

Department of Planning and Policies



Introduction

The National Strategy for Bank Lending (2024) was issued by the Central Bank of Iraq under the title “Supporting Economic Projects in Iraq,” with the aim of supporting the private sector in Iraq by facilitating access to credit. This is due to the role of the private sector in reducing pressure on the government’s employment apparatus by providing job opportunities, reducing poverty, supporting entrepreneurial projects, and generally facilitating people’s lives. The National Strategy for Bank Lending in Iraq consists of six sections, which include: (1) the vision and general framework for private sector development in Iraq, (2) building on the foundations of best practices and international principles, (3) analysis of the current situation of private sector financing in Iraq, (4) extraction of existing constraints and available opportunities for bank credit in Iraq, (5) strategic objectives and measures, and (6) governance and coordination. The strategy stipulates that its approach is based on effective planned targeting by identifying the main objectives for economic development, assessing the current situation of private sector financing, taking into account government policies in this field and international best practices, to develop specific policies and programs for sectoral development and to identify strategic axes for creating an enabling environment for the work of financial institutions within the general direction of the government.

The National Strategy for Bank Lending

This strategy is the first national strategy related to bank lending launched by the Central Bank of Iraq, as the institution responsible for monetary policy in general and the banking sector in particular. The first section of the strategy (the vision and general framework for private sector development in Iraq) includes the foundations upon which the strategy is based to understand the vision of

successive governments for private sector development, which include: the Private Sector Development Strategy in Iraq, the Ministerial Program (2018–2022), the National Development Plan (2014–2030), Iraq Vision 2030, and the Third Strategic Plan of the Central Bank of Iraq (2023–2025). The second section of the strategy is based on the “High-Level Principles of the G20 and the Organization for Economic Cooperation and Development (OECD).” The third section (analysis of the current situation of private sector financing in Iraq) provides an overview of the financial sector in Iraq, including an in-depth analysis with figures and evidence of the reality of banks, non-bank financial institutions, stocks, investment capital, fintech providers, and financial inclusion. It also includes an overview of the project sector in Iraq, reviewing digital data on current lending initiatives for the private sector from the Central Bank of Iraq. The analysis also refers to the overlap in project classification at the local level and the absence of a unified, agreed-upon classification. The analysis concludes by identifying the challenges of doing business in Iraq.

The fourth section (extraction of existing constraints and available opportunities for bank credit in Iraq) uses SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). The fifth section (strategic objectives and measures) focuses on the main objectives of the plan.

- **First Objective:** Increase credit granted to the private sector to 4% of non-oil GDP by 2029, equivalent to 7 trillion Iraqi dinars.
- **Second Objective:** Increase credit granted to micro, small, and medium enterprises (MSMEs) to 3% of non-oil GDP by 2029, equivalent to 5 trillion Iraqi dinars, which covers about 55% of the estimated gap, i.e., financing approximately 100,000 projects.

The two main objectives include 20 sub-strategic objectives, grouped under five

axes, and are tabulated in an executive plan containing implementation procedure, outputs, and the actors for each of the 20 specified sub-objectives.

First Axis: Data Collection and Knowledge Management

- Establish a unified classification and definition of projects and issue them.
- Collect diverse data on projects in Iraq according to the unified classification.
- Collect comprehensive data on credit granted in the economy.
- Create and regularly update estimates of the financing gap for micro, small, medium, and large projects.

Second Axis: Legal and Regulatory Framework

- Encourage effective formal registration of private sector companies.
- Enable lenders to collect collateral more effectively.
- Enhance an effective commercial court system (for small claims).
- Improve the insolvency system for companies.

Third Axis: Financial Sector Development

- Encourage the banking sector to provide more financing to the private sector, focusing on MSMEs.
- Develop a credit registry for borrowers.
- Provide an enabling environment for non-bank financial institutions to play their role in project financing.
- Encourage the use of financial technology and electronic payment in transactions and economic activities.

Fourth Axis: Enhancing MSME Financing

- Continue supporting the financing of MSMEs within the trillion-dinar initiative.
- Complete the project of the Loan Guarantee Corporation, focusing on guaranteeing MSME loans.
- Host the Arab Entrepreneurship Summit in 2027.
- Enhance the diversity of products and services available to MSMEs in financial institutions.
- Build lending capacities and techniques for small and medium-sized companies in financial institutions.

Fifth Axis: Financial Inclusion for MSMEs and Literacy

- Raise awareness to enhance access to financial services.
- Improve financial literacy for MSME owners and enhance knowledge of financing opportunities.
- Enhance the provision of non-financial services to MSMEs through national and international partnerships.

The sixth and final section of the strategy (governance and coordination) focuses on establishing a governance and coordination structure for implementing the strategy as a consultative and participatory process involving all stakeholders in the Iraqi financial sector, including project owners, government institutions, the banking sector, service providers, financiers, unions, and civil society organizations, led by the Central Bank of Iraq. The strategy concludes with a matrix

of responsibilities and coordination as the governance structure for implementing the lending strategy, consisting of:

- The Higher Committee for Strategy Implementation, chaired by the Central Bank and including the Ministers of Finance, Planning, Trade, and Justice, and the General Secretariat of the Council of Ministers, meets quarterly.
- The Technical Committee for the Strategy, meeting monthly and supervising working groups responsible for coordination with relevant entities in the strategy, with each sub-objective assigns a working group for coordination.
- The Strategy Unit, the administrative formation for lending at the Central Bank of Iraq, serving as the secretariat of the Higher Lending Committee and responsible for managing and following up on the implementation of the strategy.

Conclusion

Developing a bank lending strategy under conditions of uncertainty in Iraq, in particular, and the nature of international events and their effects in general, is an important step in developing the private sector, especially banking activity. The strategy has several positives and negatives. The most prominent positives are that it is specific in setting both main and sub-objectives and includes practical implementation procedures to achieve the objectives. It also specifies the required outputs for each objective, although some are procedural (formal) and not specifically defined, which may allow for procrastination in outputs, but overall, they are good. The negatives include that the strategy does not include timelines for achieving each sub-objective, nor does it specify the implementing entities for each executive procedure, but rather identifies more than one institution, which may cause delays in implementing some procedures in the strategy.

Research Identity

Researcher Name: Department of Planning and Policies

Title of Research: The National Strategy for Bank Lending in Iraq (2024–2029)

Date of Publication: December 2024

Note: The opinions expressed in this research do not necessarily reflect the views of the center, but only the opinions of its author.

About center

Al-Baydar Center for Studies and Planning is a non-governmental and non-profit organization established in 2015 and registered with the NGO directorate in the general secretariat of the council of ministers in Baghdad.

The center seeks to contribute to developing the state and its institutions, by proposing ideas and practical solutions to the main problems and challenges facing the state, including improving public sector management, policies, and strategic planning, using reliable data and best practices. The center engages the relevant authorities in the state with regular meetings to support this objective and utilizes the support of international organizations dedicated to assisting Iraq's development. The center also seeks to support economic reforms, and sustainable development and provide technical assistance to the public and private sectors. The center also seeks to support the development of the private sector to provide job opportunities for citizens through training and upskilling, in a way that reduces dependence on government institutions and contributes to supporting and diversifying the country's economy.

The center aims to utilize the vast amount of potential in Iraq's human resources by organizing programs to prepare and develop promising young people, including leaders capable of proposing, adopting and implementing visions and future plans that advance society and preserve its value-system based on the commitment to a high moral standard and rejection of all types of corruption.

All rights reserved to Al-Baydar Center for Studies and Planning

www.baidarcenter.org

info@baidarcenter.org