



IRAQ NATIONAL MICROFINANCE SUMMIT Erbil, November 13-16, 2006

Session 3

Panel: “Strategies to Support the Iraqi Microfinance Industry”

Donors and implementers discussed legal and regulatory issues, expectations for microfinance, and potential new developments.

Legal & Regulatory Development

Microfinance practitioners and donors recognize the need for a supportive macroeconomic environment -

A transparent microfinance policy environment, supported by a flexible set of laws and regulations, will discourage fraud, improve the quality of investments in MFIs, ensure operational transparency and forge critical links to the broader financial market. In the medium to long run, if microfinance is to be fully integrated within the formal financial sector, and if the needs of poor households and enterprises are to be met completely and sustainably, supportive legal and regulatory frameworks are ultimately necessary ¹.

Participants and panelists discussed issues relating to the legal and regulatory environment in Iraq, with a goal of identifying priorities and implementation strategies for enhancing that environment. Discussion topics included:

- MFI licensing, supervision, and regulation: issues under the Central Bank Law, Banking Law, NGO Law, and Company Law.
- Current impediments involving regulation, supervision, and registration, and available alternatives for enhancing the regulatory environment.
- Other legal and regulatory issues, including anti-money laundering requirements, customer privacy, lending products, loan documentation, and Islamic finance

For additional background information, refer to the [microfinance reference materials](#) and [useful internet links](#) included on the IZDIHAR Web site, www.izdihar-iraq.com.

Microfinance in Conflict and Post-Conflict Environments

Job creation and economic growth can contribute to conflict reduction. In many transitional countries like Iraq, the private sector is responsible for generating the bulk of new jobs and the largest portions of economic growth. This often requires entrepreneurs to have access to credit, which is provided by microfinance institutions (MFIs). Participants and panelists discussed the contributions of microfinance to reducing conflict and related topics, such as:

¹ Iris Center and Chemonics International, *Legal & Regulatory Reform for Access to Finance, a Policy and Programming Tool*, USAID, December 2005, page 3.

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Session 3 (continued)

- Environmental preconditions for providing microfinance in conflict and post-conflict environments
- Lessons learned from other conflict and post-conflict environments
- Security issues and solutions that Iraqi MFIs have found successful
- Donor strategies
- The role of a microfinance network in a conflict or post-conflict environment

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Standards and Reporting

MFI management and donors seek financial and performance data that is both reliable and useful. Additionally, practitioners and donors have encouraged consistency and standardization in both financial reporting and performance monitoring systems. Participants and panelists will discuss these and related issues, including systems that will allow prospective funders to evaluate performance adequately. Participants and panelists will discuss these and related issues, including:

- Objectives of Iraqi MF standards and reporting:
 - To enhance transparency
 - To improve performance and management
 - To establish country benchmarks
- International standards and systems
- USAID reporting standards
- Further development of Iraqi standards, support for regulatory and supervisory reporting
- Financial reporting
- Measuring social performance
- International standards and systems

For additional background information, refer to the following document: [CGAP, *Aid Effectiveness in Microfinance: Evaluating Microcredit Projects of the World Bank and the United Nations Development Programme, Focus Note No. 35, April 2006*](#) and the other [microfinance reference materials](#) provided on the IZDIHAR Web site, <http://www.izdihar-iraq.com>.