



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

Session 4

Concurrent Sessions: “Towards an Iraqi Microfinance Strategy”

Facilitated discussions leading to outline of issues and suggestions.

Group A: Objectives of Microfinance

Discussion will focus on what objectives donors seek to achieve through microfinance, and implications for the industry.

Microfinance in Iraq has both humanitarian and development objectives.

Specifically, microfinance in Iraq is to:

- Provide immediate, direct assistance to the population in conflict-affected areas (short- and mid-term goals).
- Build a microfinance system to support self-employment and job generation in the economy based on micro- and small businesses (middle- and long-term goals) with limited access to banking services.

However, even short-term projects serve as both a catalyst and base for long-term programs that, ultimately, are to establish the financial network that will sustain long after immediate reconstruction efforts.

Donor strategies for development of the microfinance industry may include:

1. Development of Microfinance Awareness

- Understanding of microfinance as a development tool.
- Upbringing political will to create a microfinance and MSME-friendly regulatory base and government institutional infrastructure.
- Advocacy of sound policies and practice.

2. Assisting the Industry to Scale Up its Activities

- Create a competitive market with a range of products by increasing the number of microfinance institutions and diversifying the forms and missions of NBFIs.
- In the absence of potential private or commercial investors, to continue donor funding in order to expand the network and range of lending products.

3. Support Microfinance Institutions to Progress Towards Financial Sustainability

- Provide technical assistance to build lending activities that is competitive, market-oriented, cost-aware, risk-aware, and analysis-driven; introduce other financial services such as savings, insurances, settlements, etc.
- As a part of capacity building, to expand knowledge and implement sound microfinance policies and practice to focus on client satisfaction and profits.

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Session 4, Group A (continued)

4. Support Iraq MFIs to Integrate into the International Microfinance Network and Iraqi Mainstream Financial System

- Establish sound governance, operational and risk management procedures, and international accounting and reporting standards, which allow Iraqi MFIs to attract private investors and cooperate with the banking system.
- Be conducive to perpetual modernization of the microfinance industry through cooperation with regional and international microfinance networks: CGAP, SEEP, Sanabel, etc.

5. Assist in the Establishment of Supporting Infrastructure

- Support a microfinance association to provide advocacy for microfinance and provide on-going training to the national microfinance cadre.
- Establish a donor coordination system to effectively use resources and provide technical support to MSME lending operations.