A Sustainable Banking Network (SBN) Flagship Report
Addendum to SBN Global Progress Report

Country Progress Report
Iraq

October 2019
Status for Policy Preparation – Iraq

SBN Member:
- Central Bank of Iraq (member since 2019)

SBN Working Group: none

Country readiness review:
Introducing a formal, national sustainable finance framework (e.g. roadmap, policy, regulatory guidelines, or voluntary industry principles) has been shown to be a foundation for effective country strategies to promote the shift to sustainable finance. Based on SBN members’ experiences, a number of steps are commonly required in preparation for doing so. These include raising awareness within the sector, initiating dialogue among public and private sector stakeholders, and researching national priorities, requirements, and current practices with regard to sustainable finance.

Iraq is currently in the preparation phase and intends to launch a framework in the coming years. Iraq’s readiness has therefore been reviewed against 3 main dimensions:

- Is awareness raising being undertaken in the country, with leadership by either the financial sector regulator and/or the banking association? (e.g. trainings, knowledge sharing events, conferences and meetings, research, publications)
- Has a sector-wide dialogue been initiated towards the establishment of a national sustainable finance framework, involving relevant stakeholders? (e.g. government and other public bodies, private and public financial institutions, regulators, civil society organizations)
- Has a timeline for the development of a policy been defined? (i.e. a clear schedule and milestones to launch the framework?)

Figure 1: SBN Progression Matrix with Assessment Results
Assessment based on progress up to and as of June 2019

Note:
1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.
Status for Policy Preparation – Iraq

Timeline for the development of a policy / principles:
The Central Bank of Iraq (CBI), which joined the SBN in 2019, is working on a comprehensive plan and detailed guidelines to promote sustainable and green finance among Iraq’s financial institutions (FIs). Once the plan and guidelines have set out sustainable finance principles, the CBI will evaluate and assess their adoption and implementation by individual FIs.

Dialogue towards the establishment of a policy or voluntary principles:
Up until now, no formal dialogue around the creation of sustainable finance principles has taken place. CBI is leading the work of developing sustainable finance guidelines. With more training and knowledge sharing activities on the topic taking place, CBI expects local financial institutions to become more involved and to contribute actively.

Awareness raising practices:
For now, the CBI is taking the lead on raising awareness about sustainable finance within the Iraqi financial sector. With the support of the IFC, it has led a series of training events aimed at raising awareness among financial institutions and equipping them with the knowledge required to comply with the Corporate Governance Guide and its sustainability principles. As more comprehensive sustainability finance guidelines are developed and adopted, financial institutions are expected to take a more active role in awareness raising, including more exchanges with Iraqi universities and government agencies.

Local financial system:
As of September 2017 there were 70 banks operating in Iraq, comprised of 7 state-owned banks, 44 private local banks and 19 foreign banks. The sector is highly concentrated, with three state-owned banks holding 90% of banking assets and 71% of deposits. The Central Bank of Iraq, which supervises the country’s banks, is working with the support of the IFC and the World Bank to develop and strengthen the banking sector.

The Iraq stock exchange, regulated by the Iraq Securities Commission, counts around 100 listed companies.

Recent progress and achievements:
- Iraq faces significant social and environmental challenges. It has been rated as one of the five most vulnerable countries to climate change and pollution (GEO-6 classification), and increasing natural disasters, droughts, desertification, water scarcity and food insecurity have initiated massive waves of migration. These issues require a national response, and the financial sector’s contribution is an important part of the solution.
- In 2018 the Central Bank of Iraq (CBI) issued the Corporate Governance Guide for Banks, a document prepared in cooperation with IFC and aligned with international practices and standards as well as national Iraqi laws. The CG Guide’s purpose is the promotion and implementation of best practices in governance and sustainability within the banking sector. It requires financial institutions’ boards (in paragraph (20) of Article (6) “Responsibilities of the Board of Directors”) to ensure that the institution complies with nine defined sustainability criteria. The first two criteria relate to the adoption of E&S risk management, by integrating environmental and social factors into banks’ commercial activities. The other seven criteria address human rights, financial inclusion, female empowerment, capacity building, and governance.
- Following the issuance of the Corporate Governance Guide, the CBI plans to review the updated Codes of banks and financial institutions (FIs) to evaluate the extent to which they have adopted environmental and social considerations.
- In addition to the sustainable finance initiatives recently undertaken, the Iraqi government is working on tackling the social and environmental threats Iraq faces by drafting a resolution aimed at reducing and preventing pollution. A social protection reform to reduce poverty and build resilience within local communities has also been implemented. A better targeted and cash-based social safety net program is being adopted by the government, with the support of the World Bank.
Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report